

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (22-064)**

Subject

Initiative petition from Eric McSwain regarding a proposed constitutional amendment to Article XIV of the Constitution of Missouri. (Received September 1, 2021)

Date

September 21, 2021

Description

This proposal would amend Article XIV of the Constitution of Missouri.

The amendment is to be voted on in November 2022.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education and Workforce Development**, the **Department of Health and Senior Services**, the **Department of Commerce and Insurance**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Malta Bend R-V School District**, **Mehlville School District**, **Wellsville-Middletown R-1 School District**, **State Technical College of Missouri**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, **University of Central Missouri**, **Harris-Stowe State University**, **Lincoln University**, **Missouri State University**, **Missouri Southern State University**, **Missouri Western State University**, **Northwest Missouri State University**, **Southeast Missouri State University**, **Truman State University**, **Missouri Veterans**

Commission, Missouri Office of Prosecution Services, the Kansas City Board of Police Commissioners, and the Metropolitan Police Department - City of St. Louis.

Assumptions

Officials from the **Attorney General's office** indicated they expect that, to the extent that the enactment of this proposal would result in increased litigation, they expect that their office could absorb the costs associated with that increased litigation using existing resources. However, if the enactment of this proposal were to result in substantial additional litigation, they may be required to request additional appropriations.

Officials from the **Department of Agriculture** indicated this initiative petition has no fiscal impact on their department.

Officials from the **Department of Economic Development** indicated no impact to their department.

Officials from the **Department of Elementary and Secondary Education** indicated no impact to their department.

Officials from the **Department of Higher Education and Workforce Development** indicated no impact to their department.

Officials from the **Department of Health and Senior Services** indicated the proposed legislation could create new small business opportunities in addition to costs associated with a new business in order to be in compliance with the legislation.

The reduction in state revenue will be \$2,910,977 in state fiscal year (SFY) 2023 and \$3,362,539 in SFY 2024.

The initiative petition (IP) makes changes to Section 1 of Article XIV. Some changes would require revising existing rules. Their department anticipates being able to absorb these costs. However, until the fiscal year (FY) 2023 budget is final, their department cannot identify specific funding sources.

Section 1.3(12) changes the current patient cultivation application fee projections. The proposed language reduces the annual fee for a patient cultivation card from \$100 to \$25. The new projected revenues related to patient cultivation applications are \$926,737 (\$3,837,714 less \$2,910,977) for FY2023 and \$1,070,496 (\$4,433,035 less \$3,362,539) for FY2024.

Section 1.3(15) - (17) are deleted, removing DHSS' authority to set limits on the number of licenses granted for medical marijuana facilities and removing the mandatory minimum numbers of licenses DHSS must issue. Preliminary research of other states (CO, OR, and MI) with medical marijuana programs that continued operation after an adult-use program was implemented indicates some reduction in use of the medical marijuana program should

be expected. While the extent of reduction to be expected is unclear, it appears reasonable to assume patient counts will level off rather than continuing to increase. With patient counts (demand) stabilizing and an adult-use program in development (per Section 2 of this IP), there should be no need for or interest in increasing the number of facility licenses (supply). In fact, it may be that the number of medical marijuana licenses could go down if patient demand is not high enough to support the amount of supply current medical marijuana facility numbers can produce. However, their department has no reliable data at this time, other than the projected stabilization of patient demand, on which to conclude that medical marijuana facility numbers would increase or decrease. Therefore, they project that all revenues from medical marijuana fees and taxes would hold steady.

Section 1.4(2)(a) reduces the portion of the Missouri Veterans' Health and Care Fund available to DHSS for administering the medical marijuana program from *"an amount necessary for the department to carry out this section"* to *"an amount not to exceed twenty percent of net deposits which is necessary for the department to carry out this section."*

Total revenues for the Fund in FY2023 are estimated to be \$18,991,834. Twenty percent of total revenues is estimated at \$3,798,367. The medical marijuana program's operating costs are \$13,000,000 million. This would create a budget shortfall of approximately \$9,201,633 for FY2023, which would require general revenue (GR) pickup to continue the operations of the program.

Total revenues for the Fund in FY2024 is estimated to be \$18,991,834. Twenty percent of total revenue is \$3,798,367. The medical marijuana program's operating costs are \$13,000,000. This would create a budget shortfall of approximately \$9,201,633 for FY2024 and would require GR pickup to continue the operations of the program.

The IP proposes a new Section 2, which establishes adult-use of marijuana and gives regulatory authority over adult-use to the Department of Public Safety, Division of Alcohol and Tobacco Control. There is one provision in this section that establishes a new responsibility for the DHSS. Section 2.6(9) requires that DHSS coordinate with Division of Alcohol and Tobacco Control (DATC) to establish a program through which "excess" cannabis from facilities and adult-use consumers may be sold or donated to facilities that wish to make that cannabis available free of charge to certain qualifying patients and primary caregivers. Their department assumes a need to establish regulations for this program but also assumes there would be minimal need for their department to participate in administration or regulation of the program, as the only DHSS-licensed facilities that would be authorized to participate in the program are 10 testing facilities. Their department anticipates being able to absorb these costs. However, until the FY2023 budget is final, their department cannot identify specific funding sources.

Officials from the **Department of Commerce and Insurance** indicated this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposal creates no direct obligations or requirements to their department that would result in a fiscal impact.

However, the impact on the demand for substance use disorder treatment is unknown. Their department sees the legalization of marijuana as a broader public health issue, especially for children.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated the total estimated net effect on all state funds for fiscal year 2024 will be \$227,986, fiscal year 2025 will be \$676,775, fiscal year 2028 will be \$1,071,308.

The estimate of the number of offenders who will be impacted by the proposed legalization of marijuana can be calculated from the sentencing records maintained by their department, but with an important qualification. Most offenders sentenced for drug offenses in Missouri are sentenced for the production, sale, distribution or possession of a controlled substance, but the drug type is not always part of the sentence information that their department receives. In some cases the drug type is known and is included in the offender management database, but the proportion of cases in which the drug related to the offense is known is a minority of the cases. Given that the drug associated with the offense is unknown by their department in the majority of cases, the estimation of the total impact that follows will use the proportions of cases in which the associated drug is known to determine the number of cases in which the associated drug is unknown that are likely related to marijuana. Therefore, they assume 3% of all prison admissions related to drug sentences are related to marijuana (see table 1).

Table 1. FY 2017 through FY 2020 admissions to prison on only drug-related sentences in which the drug associated with the offense is known. (Drug offenses and drug types are identified in the data system through the use of the NCIC categories, modifiers associated with a sentence, and the description of the offense.)

Marijuana	70	3.3%
Other Drug	2,072	96.7%
Total	2,142	100.0%

Of the 922 offenders with new commitments to prison in FY 2020 who were admitted only on drug sentences, 575 were cases in which an offender's youngest age associated with any of those drug offenses was 21 years of age or older. The average length of those sentences was 5.6 years. Based on their assumption that 3% of those sentences are related to marijuana, they estimate 17 admissions for sentences of people 21 years of age or older for offenses related only to marijuana.

In FY 2020, there were 1,263 offenders released from prison who had been incarcerated for new commitments to prison only on drug sentences. Their average length of time served to first release was 1.1 years, which is what their department assumes for all future new commitments in estimating their department's impact.

Based on their analysis of new probation cases related to drug sentences received by their department in FY 2020, approximately 7% of the cases in which the associated drug is known are related to marijuana (see table 2). Therefore, they assume 7% of all new probation cases are based on drug sentences related to marijuana.

Table 2. FY 2020 probation cases related only to drug sentences in which the drug associated with the offense is known. (Drug offenses and drug types are identified in the data system through the use of the NCIC categories, modifiers associated with a sentence, and the description of the offense.)

Marijuana	209	7.0%
Other Drug	2,766	93.0%
Total	2,975	100.0%

Of the 5,138 offenders with new probation cases in FY 2020 whose cases were only on drug sentences, 2,274 were cases in which an offender's youngest age associated with any of those drug offenses was 21 years of age or older. Based on their assumption that 7% of those sentences are related to marijuana, they estimate 159 new probations for sentences of people 21 years of age or older for offenses related only to marijuana. The average length of those sentences was 5.4 years. Given the possibility of earned compliance credit, they apply a 3 year sentence in their estimation of impact.

The estimated cumulative impact of this proposal on their department operations is 44 fewer people in prison and 528 fewer people under supervision in the field by FY 2029.

Change in prison admissions and probation openings with legislation

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
New Admissions										
Current Law	17	17	17	17	17	17	17	17	17	17
After Legislation	0	0	0	0	0	0	0	0	0	0
Probation										
Current Law	159	159	159	159	159	159	159	159	159	159
After Legislation	0	0	0	0	0	0	0	0	0	0
Change (After Legislation - Current Law)										
Admissions	-17	-17	-17	-17	-17	-17	-17	-17	-17	-17
Probations	-159	-159	-159	-159	-159	-159	-159	-159	-159	-159
Cumulative Populations										
Prison	-17	-34	-44	-44	-44	-44	-44	-44	-44	-44
Parole			-7	-24	-41	-51	-51	-51	-51	-51
Probation	-159	-318	-477	-477	-477	-477	-477	-477	-477	-477
Impact										
Prison Population	-17	-34	-44	-44	-44	-44	-44	-44	-44	-44
Field Population	-159	-318	-484	-501	-518	-528	-528	-528	-528	-528
Population Change	-176	-352	-528	-545	-562	-572	-572	-572	-572	-572

*If this impact statement has changed from statements submitted in previous years, it is because the Department of Corrections (DOC) has changed the way probation and parole (P&P) daily costs are calculated to more accurately reflect the way the Division of Probation and Parole is staffed across the entire state.

In December 2019, their department reevaluated the calculation used for computing the Probation and Parole average daily cost of supervision and revised the cost calculation to be their department average district caseload across the state which is 51 offender cases per officer. The new calculation assumes that an increase/decrease of 51 cases would result in a change in costs/cost avoidance equal to the cost of one full time employee (FTE) staff person. Increases/decreases smaller than 51 offenders are assumed to be absorbable.

In instances where the proposed legislation would only affect a specific caseload, such as sex offenders, their department will use the average caseload figure for that specific type of offender to calculate cost increases/decreases. For instances where the proposed legislation affects a less specific caseload, they project the impact based on prior year(s) actual data for their department's 48 probation and parole districts.

Their department cost of incarceration is \$21.251 per day or an annual cost of \$7,756 per offender. Their department cost of probation or parole is determined by the number of P&P Officer II positions that would be needed to cover the new caseload.

They also provided the following information.

FISCAL ESTIMATE WORKSHEET**FISCAL NOTE:** **IP 22-064****BILL NO:** **Article XIV**[Instructions](#)**SUMMARY OF FISCAL IMPACT****Type of Fiscal Note Response:** **ORIGINAL**

Agency:	<u>DOC - Corrections</u>	Date:	<u>9/10/2021</u>
Division:	<u></u>	Telephone:	<u>526-7844</u>
Preparer:	<u>Trevor Foley</u>	E-Mail Address:	<u>trevor.foley@doc.mo.gov</u>
Preparer's Signature:	<u></u>	No Impact on Agency:	<u></u>
Approval:	<u>Matt Sturm</u>	No Local Fiscal Impact:	<u></u>
Approval Signature:	<u></u>	Oversight Analyst:	<u></u>

Note: if both of the "no impact" lines are checked, you only need to complete the "Summary of Fiscal Impact" and "Overview-Questions" worksheets.

Create and complete separate worksheets for each state fund affected.

ESTIMATED NET EFFECT ON STATE FUNDS

Fund Affected	FY 2024	FY 2025	FY 2028
General Revenue	\$277,986	\$676,775	\$1,071,308
Total Estimated Net Effect on All State Funds	\$277,986	\$676,775	\$1,071,308

ESTIMATED NET EFFECT ON FEDERAL FUNDS

Federal Funds	\$0	\$0	\$0
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS

Total Estimated Net Effect on All Local Funds	\$0	\$0	\$0
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FISCAL ESTIMATE WORKSHEET

FISCAL NOTE:

IP 22-064

[Fiscal Note
Worksheet](#)

BILL NO:

Article XIV

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	# to/from Prison	Cost per year	Total Cost of Prison (includes 2% inflation per year starting in year 2)		Change in number of Probation and Parole Officers	Probation and Parole Officer II Cost per year (includes PS, fringe, E&E and inflation)	Grand Total Prison and Probation	# of Offenders to/from Probation & Parole
Year 1 (10 months)	(17)	(\$7,756)	\$109,877		(3)	\$168,109	\$277,986	(159)
Year 2 (includes 2% inflation)	(34)	(\$7,756)	\$268,978		(6)	\$407,797	\$676,775	(318)
Year 3 (includes 2% inflation)	(44)	(\$7,756)	\$355,051		(9)	\$618,299	\$973,350	(484)
Year 4 (includes 2% inflation)	(44)	(\$7,756)	\$362,152		(9)	\$694,413	\$1,056,565	(501)
Year 5 (includes 2% inflation)	(44)	(\$7,756)	\$369,395		(10)	\$701,913	\$1,071,308	(518)
Year 6 (includes 2% inflation)	(44)	(\$7,756)	\$376,783		(10)	\$709,504	\$1,086,287	(528)
Year 7 (includes 2% inflation)	(44)	(\$7,756)	\$384,319		(10)	\$717,197	\$1,101,516	(528)
Year 8 (includes 2% inflation)	(44)	(\$7,756)	\$392,005		(10)	\$724,967	\$1,116,972	(528)

	# to/from Prison	Cost per year	Total Cost of Prison (includes 2% inflation per year starting in year 2)		Change in number of Probation and Parole Officers	Probation and Parole Officer II Cost per year (includes PS, fringe, E&E and inflation)	Grand Total Prison and Probation	# of Offenders to/from Probation & Parole
Year 9 (includes 2% inflation)	(44)	(\$7,756)	\$399,845		(10)	\$732,844	\$1,132,689	(528)
Year 10 (includes 2% inflation)	(44)	(\$7,756)	\$407,842		(10)	\$740,798	\$1,148,640	(528)

FISCAL ESTIMATE WORKSHEET

FISCAL NOTE:

IP 22-064

BILL:

Article XIV

FUND:

General Revenue

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FUND COSTS BY CATEGORY

<div>Expenditure by Category</div> <div>Personnel by Position</div>	FTEs	Annual Salary	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
P&P Officer II	1	\$38,753	\$32,294	\$39,140	\$39,532	\$39,927	\$40,326	\$40,729	\$41,137	\$41,548	\$41,964	\$42,383
Total FTE			(3)	(6)	(9)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Total Salary for 1 Employee			\$32,294	\$39,140	\$39,532	\$39,927	\$40,326	\$40,729	\$41,137	\$41,548	\$41,964	\$42,383
Total Salaries Per Year for All Employees			(\$96,882)	(\$234,840)	(\$355,788)	(\$399,270)	(\$403,260)	(\$407,290)	(\$411,370)	(\$415,480)	(\$419,640)	(\$423,830)
Fringe Benefits for 1 Employee			\$20,849	\$25,269	\$25,522	\$25,777	\$26,035	\$26,295	\$26,558	\$26,824	\$27,092	\$27,363
Fringe Benefits Per Year for All Employees			(\$62,548)	(\$151,615)	(\$229,698)	(\$257,772)	(\$260,348)	(\$262,951)	(\$265,583)	(\$268,237)	(\$270,922)	(\$273,629)
TOTAL SALARIES + FRINGE ALL EMPLOYEE			(\$159,430)	(\$386,455)	(\$585,486)	(\$657,042)	(\$663,608)	(\$670,241)	(\$676,953)	(\$683,717)	(\$690,562)	(\$697,459)

FISCAL ESTIMATE WORKSHEET

FISCAL NOTE:

IP 22-064

BILL:

Article XIV

FUND:

General Revenue

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FUND COSTS BY CATEGORY

<div>Expenditure by Category</div> <div>Equipment by Item</div>	Units	Unit Cost	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Computer Equipment	1	\$2,874	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office Equipment	1	\$4,632	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Equipment	1	\$520	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EQUIPMENT FOR 1 EMPLOYEE			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EQUIP/YEAR FOR ALL EMPLOYEE			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenses	Units	Unit Cost										
Travel, In-State	1	\$425	\$354	\$436	\$447	\$458	\$470	\$481	\$493	\$506	\$518	\$531
Travel, Out-of-State	1	\$25	\$21	\$26	\$27	\$27	\$28	\$29	\$29	\$30	\$31	\$32

Supplies	1	\$815	\$679	\$835	\$856	\$877	\$899	\$922	\$945	\$968	\$993	\$1,017
Professional Development	1	\$450	\$375	\$461	\$473	\$484	\$496	\$509	\$522	\$535	\$548	\$562
Communication Svcs & Supp	1	\$650	\$542	\$666	\$683	\$700	\$717	\$735	\$754	\$772	\$792	\$811
Professional Services	1	\$494	\$412	\$506	\$519	\$532	\$545	\$559	\$572	\$587	\$601	\$617
Housekeeping & Janitor Svcs	1	\$232	\$193	\$237	\$243	\$249	\$255	\$262	\$268	\$275	\$282	\$289
M&R Services	1	\$350	\$292	\$359	\$368	\$377	\$387	\$396	\$406	\$416	\$427	\$437
Equipment Rentals & Leases	1	\$30	\$25	\$31	\$32	\$33	\$33	\$34	\$35	\$36	\$37	\$38
TOTAL EXPENSE FOR 1 EMPLOYEE		\$2,893	\$3,557	\$3,646	\$3,737	\$3,830	\$3,926	\$4,024	\$4,125	\$4,228	\$4,334	
TOTAL EXPENSE FOR ALL EMPLOYEES		(\$8,679)	(\$21,342)	(\$32,813)	(\$37,371)	(\$38,305)	(\$39,263)	(\$40,244)	(\$41,250)	(\$42,282)	(\$43,339)	
TOTAL EQUIP AND EXP FOR 1 EMPLOYEE		\$2,893	\$3,557	\$3,646	\$3,737	\$3,830	\$3,926	\$4,024	\$4,125	\$4,228	\$4,334	
TOTAL E&E FOR ALL EMPLOYEES		(\$8,679)	(\$21,342)	(\$32,813)	(\$37,371)	(\$38,305)	(\$39,263)	(\$40,244)	(\$41,250)	(\$42,282)	(\$43,339)	
Local Assistance		\$0	\$0	\$0								
Other Costs ()		\$0	\$0	\$0								
<div><div>FISCAL ESTIMATE WORKSHEET</div><div><div>FISCAL NOTE:</div><div>IP 22-064</div><div>BILL:</div><div>Article XIV</div><div>FUND:</div><div>General Revenue</div></div><div>InstructionsInstructionsInstructions</div></div>												
SUMMARY OF FUND COSTS												
I. Fund Costs by Category		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	
Salaries		(\$96,882)	(\$234,840)	(\$355,788)	(\$399,270)	(\$403,260)	(\$407,290)	(\$411,370)	(\$415,480)	(\$419,640)	(\$423,830)	
Fringe Benefits		(\$62,548)	(\$151,615)	(\$229,698)	(\$257,772)	(\$260,348)	(\$262,951)	(\$265,583)	(\$268,237)	(\$270,922)	(\$273,629)	
Equipment and Expense		(\$8,679)	(\$21,342)	(\$32,813)	(\$37,371)	(\$38,305)	(\$39,263)	(\$40,244)	(\$41,250)	(\$42,282)	(\$43,339)	
Local Assistance		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Fund Costs		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
TOTAL FUND COSTS - ALL CATEGORIES		(\$168,109)	(\$407,797)	(\$618,299)	(\$694,413)	(\$701,913)	(\$709,504)	(\$717,197)	(\$724,967)	(\$732,844)	(\$740,798)	
II. Fund Revenue Sources												
Taxes		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Fines		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Administrative Sanctions		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Sources ()		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
TOTAL FUND REVENUE - ALL SOURCES		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
III. Cost Avoidance (Savings)												
Salaries		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Fringe Benefits		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Equipment and Expense		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Sources ()		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
TOTAL FUND SAVINGS		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
ESTIMATED NET EFFECT ON FUND		\$168,109	\$407,797	\$618,299	\$694,413	\$701,913	\$709,504	\$717,197	\$724,967	\$732,844	\$740,798	

Officials from the **Department of Labor and Industrial Relations** indicated they anticipate no fiscal impact for this initiative petition proposing to amend Article XIV, version 2. However, there is a concern over whether the protections provided to employers in section 7 apply to the recreational use of marijuana section.

Officials from the **Department of Revenue** indicated the total estimated net effect on all state funds for fiscal year 2022 will be \$0, fiscal year 2023 will be \$0, fiscal year 2024 will be \$12,173,807 to \$18,815,775.

Revenue Impact

Section 1 - Medical Marijuana

This proposal revises the current medical marijuana law. Section 4 regarding taxation adds language stating the department can retain an amount from the medical marijuana tax collected not to exceed 20%. Their department currently withholds only 1% of the money collected to reimburse their expenses. For the period of November 2020 to July 2021 they retained \$26,325. They assume this provision will not have any additional impact on their department.

The existing medical marijuana laws are modified to change the definition of marijuana and to expand the number of primary caregivers a person may have. Additionally it changes the requirements that allow medical marijuana patients to cultivate their own marijuana plants. Their department assumes these changes would not fiscally impact their department. Their department is unable to determine if these changes will have a fiscal impact on the amount of tax collected under the medical marijuana or recreational marijuana laws.

Section 2 –Recreational Cannabis

This is an initiative petition that would go to the vote of the people at the November 2022 general election. If this is not adopted by the people, this would not have a fiscal impact.

Should this be adopted at the November 2022 election, by the time certification of the election occurs, it is assumed this constitutional amendment would have a January 1, 2023 effective date. Per the requirements of this proposal, citizens would not be able to file for a license to be certified to sell cannabis until August 2023. Based on the time for certification and the growing time for the cannabis product, it is estimated this proposal would not have a fiscal impact until January 1, 2024, resulting in only a six month impact in fiscal year (FY) 2024. Any fiscal impact stated in this proposal assumes the January 1, 2024 fiscal start date.

This proposal states that is not intended to repeal or replace the medical marijuana market. However this places a lower tax rate on recreational cannabis than on medical marijuana. Currently medical marijuana is taxed at 8.225%. This creates a recreational marijuana tax rate of just 7.5%. The medical marijuana sales tax is distributed as:

Missouri Veterans' Health and Care Fund (4%)

General Revenue (3%)

School Districts Trust Fund (1%)

Conservation Commission 0.125%)
Parks, Soil & Water (0.1%)

Per this proposal the recreational marijuana sales tax would all be deposited into the Missouri Economic Recovery and Growth Fund (MERG). Their department is unable to determine how many taxpayers would buy the recreational marijuana rather than the medical marijuana. If people choose to pay the lower sales tax (recreational marijuana) then the Missouri Veterans' Health and Care Fund, General Revenue, School District Trust Fund, Conservation Commission and Parks, Soil & Water Funds would lose money while the MERG Fund would see increased funding. This impact is estimated to be unknown but significant.

Subsection 3 Regulation

These provisions establish the guidelines for the legalization of cannabis (selling and using) by adults over the age of 21. The provisions include who can sell the product and how much a consumer can possess.

Subsection 3.(2)(q) requires that the Division of Alcohol and Tobacco Control to establish rules regarding the transmittal of tax payments. Their department would work with the Division in order to establish the rules necessary for the collection of the payments as this proposal requires they collect the tax but does not establish a filing frequency for the tax payments or require remittance. They assume this would be done with existing resources.

Subsection 5 – Taxation and Funding

This proposal imposes a tax on cannabis upon the retail sale at a cannabis retail facility. The tax shall be at a rate of 7.5 percent starting January 1, 2023, the effective date of this proposal. (It should be noted this would not fiscally impact the state until January 1, 2024 as previously described above).

It should be noted that this proposal requires the collection and payment of this cannabis tax but does not specify when it is to be paid. Additionally, their department is not given rulemaking authority to set the collection dates for this tax that was given to the Division of Alcohol and Tobacco Control (as mentioned above). For the calculation of the fiscal note, their department assumes this tax will be collected and remitted at the same time regular sales and use tax is collected. Should it be determined a different remittance time is allowed, the projected fiscal impact could be different than calculated.

All tax revenues per this proposal are to be deposited into the Missouri Economic Recovery and Growth Fund (MERG).

Based on a study completed by Gallup, 12 percent of the nation's adults smoke cannabis regularly. Based on information published on suburbanstats.org, there are approximately 4,181,284 individuals at age 21 or above in the State of Missouri, 12% of the total number of adults aged 21 or older would equal 501,754 adults.

A report published by Headset Inc, a new market insights from Seattle-based cannabis intelligence company, believes that the average cannabis consumer spends roughly \$647 on cannabis and related products per year. Based on information provided in the report published by Headset Inc, the largest pool of individuals surveyed spent \$1,000 or above each year on cannabis and cannabis products. These amount of \$647 and \$1000 will allow them to estimate a fiscal impact range.

Their department notes that sales tax is added to the purchase prices. Therefore at the low rate of \$647 they assume total taxable sales of \$324,634,838 ($\$647 * 501,754$). Therefore at the low end they estimate the 7.5% collected sales tax would be \$24,347,613 ($\$324,634,838 * 7.5\%$).

At the upper rate of \$1,000 they assume a total taxable sales of \$501,754,000 ($\$1,000 * 501,754$). Therefore at the upper end they estimate the 7.5% collected sales tax would be \$37,631,550 ($\$501,754,000 * 7.5\%$).

Fiscal Year 2024 (6 months)		Fiscal Year 2025	
Increase to MERG Fund		Increase to MERG Fund	
Low	High	Low	High
Could be less than \$12,173,807	Could be less than \$18,815,775	\$24,347,613	\$37,631,550

This proposal also allows local political subdivisions to adopt a cannabis sales tax. Their department assumes a current local sales and use tax rate of 4.03%. At this current rate it is estimated this would generate \$13,082,784 to \$20,220,686 for local governments. Their department is unable to determine how many would adopt the sales tax. Therefore, this may result in a lesser amount than projected.

This proposal allows their department to retain up to 2% of the tax collected to pay for the administration and collection of the tax. This would allow their department to retain \$486,952 to \$752,631 based on amount collected. They are unsure if this would cover all of their department's expenses. Should it not be enough, they will request additional funding through the appropriation process. The estimated administrative impact:

A new reporting form will need to be developed to track and monitor the tax on the sale of cannabis. 2 Associate Customer Service Representatives (ASCR) at \$24,360 for processing reporting forms, phone calls and correspondence received. 1 Management Analysis Specialist (MAS) at \$38,476 to work with Division of Alcohol and Tobacco Control to administer this section as significant coordination may be required. Their department will need to make programming changes to the current sales and use tax databases. This is estimated at \$10,000.

They also provided the following information:

FISCAL ESTIMATE WORKSHEET

FISCAL NOTE: 22-064

BILL:

FUND: MERG

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FUND COSTS BY CATEGORY

<u>Expenditure by Category</u>	FTEs	Annual Salary	FY 2022	FY 2023	FY 2024
Personnel by Position					
ASCR	2	\$24,360			\$49,699
MAS	1	\$38,476			\$39,249
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
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		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
Total FTE by Fiscal Year	3		3	3	3
Total Salaries			\$0	\$0	\$88,949
Fringe Benefits					\$65,840

FISCAL ESTIMATE WORKSHEET**FISCAL NOTE:** _____**BILL:** _____**FUND:** General Revenue[Instructions](#)[Instructions](#)[Instructions](#)**FUND COSTS BY CATEGORY**

Expenditure by Category	BOBC	Units	Unit Cost	FY 2022	FY 2023	FY 2024
Equipment by Item						
Cubicle w/work surface &	580	3	\$6,800			\$20,400
Chair	580	3	\$596			\$1,788
Calculator	580	3	\$20			\$60
Desk Computer System &	480	3	\$1,371			\$4,113
Telephone Cisco US Stand	340	3	\$525			\$1,575
computer programmming		1	\$10,000			\$10,000
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
TOTAL EQUIPMENT				\$0	\$0	\$37,936
Expenses	BOBC	Units	Unit Cost			
Expendable Supplies		3	\$372			\$1,172
Recurring Expenses		3	\$107			\$337
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
TOTAL EXPENSE				\$0	\$0	\$1,509
TOTAL EQUIPMENT AND EXPENSE				\$0	\$0	\$39,445
Local Assistance				\$0	\$0	\$0
Other Costs ()				\$0	\$0	\$0

FISCAL ESTIMATE WORKSHEET**FISCAL NOTE:** _____**BILL:** _____**FUND:** General Revenue[Instructions](#)[Instructions](#)[Instructions](#)**SUMMARY OF FUND COSTS**

	FY 2022	FY 2023	FY 2024
I. Fund Costs by Category			
Salaries	\$0	\$0	\$88,949
Fringe Benefits	\$0	\$0	\$65,840
Equipment and Expense	\$0	\$0	\$39,445
Local Assistance	\$0	\$0	\$0
Other Fund Costs	\$0	\$0	\$0
TOTAL FUND COSTS - ALL CATEGORIES	\$0	\$0	\$194,234
II. Fund Revenue Sources			
			\$12,173,807-
cannabis recreational sales tax	\$0	\$0	\$18,815,775
Fines	\$0	\$0	\$0
Administrative Sanctions	\$0	\$0	\$0
Other Sources ()	\$0	\$0	\$0
TOTAL FUND REVENUE - ALL SOURCES	\$0	\$0	\$0
III. Cost Avoidance (Savings)			
Salaries	\$0	\$0	\$0
Fringe Benefits	\$0	\$0	\$0
Equipment and Expense	\$0	\$0	\$0
Other Sources ()	\$0	\$0	\$0
TOTAL FUND SAVINGS	\$0	\$0	\$0
			\$12,173,807-
ESTIMATED NET EFFECT ON FUND	\$0	\$0	\$18,815,775

Officials from the **Department of Public Safety - Office of Director** indicated no impact for the Department of Public Safety, Director's office. The Missouri Veterans Commission has addressed their fiscal concerns in a separate response to the State Auditor's Office. The following responses are from the Division of Alcohol and Tobacco Control and the Missouri State Highway Patrol.

The Division of Alcohol and Tobacco Control (ATC) provided the following:

This proposal will affect local law enforcement and city and county licensing authorities.

They will need to increase the space for each district office to accommodate 24 additional staff in the Jefferson City office, 14 additional staff in the St. Louis office and 13 additional staff in the Springfield and Kansas City offices, along with additional storage space for evidence, for fingerprinting scanners and reception space to consult with licensees.

Jefferson City Office (Expansion) - They are requesting an additional 8,400 square feet of office space for 24 FTE, along with a reception area and evidence room. (300 square feet for each FTE, 600 square feet for evidence storage, and 600 square feet for reception area).

Rental Rate - \$151,200 (\$18 per square feet X 8,400 square feet) and Janitorial \$12,600 (\$1.50 per square feet X 8,400) and Utility Rates \$16,800 (\$2.00 per square feet X 8,400) - \$29,400 (\$3.50 per square feet X 8,400)

TOTAL FOR JEFFERSON CITY - \$180,600

Kansas City Office (Expansion) – They will need 5,100 square feet of office space for 13 FTE, along with a reception area and evidence room. (300 square feet for each FTE, 600 square feet for evidence storage, and 600 square feet for reception area).

Rental Rate - \$107,100 (\$21 per square feet X 5,100 square feet) and Janitorial \$7,650 (\$1.50 per square feet X 5,100) and Utility Rates \$10,200 (\$2.00 per square feet X 5,100) - \$17,850 (\$3.50 per square feet X 5,100)

TOTAL FOR KANSAS CITY - \$124,950

Springfield Office (Expansion) – They will need 5,100 square feet of office space for 13 FTE, along with a reception area and evidence room. (300 square feet for each FTE, 600 square feet for evidence storage, and 600 square feet for reception area).

Rental Rate - \$91,800 (\$18 per square feet X 5,100 square feet) and Janitorial \$7,650 (\$1.50 per square feet X 5,100) and Utility Rates \$10,200 (\$2.00 per square feet X 5,100) - \$17,850 (\$3.50 per square feet X 5,100)

TOTAL FOR SPRINGFIELD - \$109,650

St. Louis Office (Expansion) - They will need 5,400 square feet of office space for 14 FTE, along with a reception area and evidence room. (300 square feet for each FTE, 600 square feet for evidence storage, 600 square feet for reception area).

Rental Rate - \$113,400 (\$21 per square feet X 5,400 square feet) and Janitorial \$8,100 (\$1.50 per square feet X 5,400) and Utility Rates \$10,800 (\$2.00 per square feet X 5,400) - \$18,900 (\$3.50 per square feet X 5,400)

TOTAL FOR ST. LOUIS - \$132,300

They are also requesting an additional \$150,000 per location for renovation costs that are not covered in the above figures for a total of \$600,000.

TOTALS

Total Rent Costs – (24,000 square feet) - \$463,500

Total Janitorial – (24,000 square feet X \$1.50) \$36,000

Utility Rates – (24,000 square feet X \$2.00) - \$48,000

Renovation Costs – (First year only) - \$600,000

TOTAL COSTS - \$1,147,500

The opportunities for small businesses to be included in this new industry are great. It will provide new opportunities for licensees to open businesses across the state to manufacture, produce, retail, or test marijuana products that are currently not legal. In Colorado, as of December 1, 2020, there were 1,616 licensed businesses as a result of adult use marijuana. In addition, Colorado has 41,564 occupational licenses related to marijuana as of December 1, 2020 (Note this number includes all marijuana occupational licensees as medical occupational licensees can work both retail and medical marijuana establishments). ([Colorado Department of Revenue Retail Marijuana Facilities](#)).

The following is the Office of Administration - Information Technology Services Division's (ITSD's) estimate. They will need a seed to sale tracking of each marijuana plant, and licensing of all establishments as well as occupational licenses for those involved in the manufacture, production, testing or sale of marijuana. Note: This response was provided in January 2021 for other proposed adult use marijuana legislation. They did not have enough time to get an updated response, but estimates similar costs.

ITSD Response

Fiscal Note	IP 22-064		ITSD - DPS		
Bill Number					
Will a new system be required?	<u>X</u>		Yes	No	
Indicate fiscal year when fully implemented	FY		2023		
ESTIMATED NET EFFECT ON STATE FUNDS					
Fund Affected	FY23	FY24	FY25		
General Revenue	1,000,000	-	-		
Other	-	-	-		
Federal Funds	-	-	-		
Total	1,000,000	-	-		
It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.					
Bill Section(s)	Article XIV, Section 2				
	FY23	FY24	FY25		
New	Rate	Hours	\$	\$	\$
IT Consultants	95	746.31	70,900	-	-
Other Costs:					
Procurement of Licensing System	929,100	1	929,100	-	-
Section Total Other Costs:			929,100	-	-
Section Total Expenditures:			1,000,000	-	-
Section Funding:					
	General Revenue	1,000,000	-	-	
	Federal	-	-	-	
	Other	-	-	-	
	Total	1,000,000	-	-	

They will model the fiscal effects similar to the Colorado law enacted in 2012. Colorado's FY20 revenue from sales tax of 15% from recreational marijuana was almost \$226 million (Colorado brought in more than \$319 million in taxes for FY20, including sales tax and excise tax. [Colorado DOR Marijuana Tax Data](#)) This constitutional amendment does not provide for an excise tax and has a retail sales tax rate of 7.5%. Since Missouri's population of over 6.1 million exceeds Colorado's approximately 5.8 million, they believe Missouri will generate at least 6% more in sales. Since licenses will not be issued until August, 2023,

they do not predict a collection of retail sales tax in FY23. They predict first year sales tax revenue of over \$89 million in FY24.

In addition, Washington generated over \$185 million in tax revenue during the first fiscal year (FY16), over \$387 million during FY19 and over \$468 million during FY20. That number will continue to increase as the market continues to grow and refine. ([Washington State Liquor and Cannabis Board](#) – Fiscal Year Sales and Excise)

Sales of small amounts of recreational marijuana for personal use began October 1, 2015 in Oregon, and licensing began in 2016. Oregon generated over \$70 million during FY17, over \$82 million during FY18 and over \$133 million during FY20. ([Oregon DOR Marijuana Tax Statistics](#) – Tax Payments Received).

Revenue will be generated from licensing establishments for the cultivation and production of marijuana for adult use. Revenue collected will be deposited into a marijuana cash fund that will be used for the administration and enforcement of Article XIV, Section 2. They have estimated that deposits will not be made into this fund until FY24 as they will not begin accepting license applications until August 1, 2023 (FY24). They estimate that licensing and user fees will bring in \$7,214,309 in the first year of operation (FY24) and \$9,040,361 in the second year (FY25). Renewal fees will be the same amount as application license fees. They have estimated about a 10% turnover in licensing for the second year of operation. (See Attached schedule for a more detailed description of the revenue generation.)

They will annually review the fees and charges to determine if adjustments are necessary to reflect the actual direct and indirect costs of the division in the administration and enforcement of the adult use marijuana licensing program.

They do not believe the first two years will result in monetary disciplinary penalties as the licensing process will not begin until FY24. It is estimated that in FY25 and ongoing, monetary penalties could result in between \$25,000 - \$500,000 annually. *(It should also be noted that they believe it might be a conflict of interest to receive the financial benefits from the administrative disciplinary process by being responsible for enforcing the law, administering discipline and then collecting money from the violators, and thus concludes that monetary penalties should be treated in the same manner as Alcohol and deposited into local school districts.)*

Section 2.2(13) names ATC as the division responsible for implementing this constitutional amendment. They will be responsible for implementing a comprehensive licensing and regulatory system for the cultivation, manufacture, sale, distribution, dispensing and testing of adult use marijuana and adult use marijuana products in the state of Missouri.

Section 2.3(2) requires ATC to promulgate rules for the proper regulation and control of the adult use marijuana act. In order to meet that deadline, they would initially hire a marijuana consultant who has experience in implementing an adult use marijuana program in other states. This person would help set out a framework for implementation of a seed

to sale tracking system, promulgate rules, and provide information on testing protocols that need to be in place to assure product integrity. This person would start January 1, 2023 and would require general revenue funding for his or her fee and expenses for the first year. They have estimated costs of approximately \$6,492,870 in FY23, which would require general revenue funding as no revenue will be generated from licensing until after August 1, 2023. (See attached spreadsheet for more details). This estimate reflects total costs for the marijuana consultant and equipment, and partial costs for salaries and expenses, which are calculated as three months for FY23. They will not hire the new staff until April 1, 2023. An estimated two months of FY24 will also require general revenue funding.

Section 2.4(7) gives ATC authority to establish application, licensing and renewal fees, provided that the application/renewal fee does not exceed \$2,500. (See attached revenue spreadsheet for details).

Section 2.4(8) gives ATC authority to establish certification and renewal fees, provided that the certification /renewal fee does not exceed \$1,000. (See attached revenue spreadsheet for details).

Section 2.5(2) levies a retail sales tax on the sale of adult use marijuana at retail stores at a rate of 7.5%. The taxes shall be collected by the Department of Revenue. They have calculated estimated tax revenue based on Colorado's collections, adjusted to reflect 7.5% tax instead of 15% tax. They are not including the fiscal impact of retail sales tax on the fiscal note worksheet, as it will be collected by Department of Revenue and should be reported by Department of Revenue.

Section 2.5(8) provides that localities can choose to impose a retail sales tax on retail sales of marijuana.

To implement this constitutional amendment, they would add staff at four district offices (Kansas City, St. Louis, Springfield, and Jefferson City) and station a District Supervisor, ten Agent/Special Agents, an Administrative Office Support Assistant, and an Agricultural Expert in each office to be able to cover the territory more effectively and efficiently. This would allow potential licensees more direct access to ATC staff to facilitate licensing demands and respond to questions.

Each office would have an ID card printing device to facilitate the occupational licensing of an expected 43,866 possible owners, managers, officers, and employees of an approximate 1,715 licensed and certified establishments. These numbers were calculated using Colorado's statistics. Since Missouri has approximately 6% additional population, the numbers were adjusted to reflect that increase. The Jefferson City office will have two ID card printers. The total cost for the ID Card Printers and supplies will be approximately \$85,157 in FY23.

Stringent background checks will be required and will require agents to follow up in various measures to assure the person applying is of good moral character, and that the affirmations in the application are valid and true. Inspections would be required to verify

information on the licensed premises, and to validate that the signage, security and sanitary requirements are being met. A thorough review of applicant's financial records must be made. Background checks would be required on each owner, officer, manager, stockholder, and all employees who work at or are otherwise associated with the operation. Following is the specific breakdown of the positions requested:

District Supervisor – 4 – ATC would locate a District Supervisor in each office to oversee the activities of ten Agent/Special Agents located in the field offices.

Agents/Special Agents – 40 – Special Agents would each be assigned a specific territory in the district to oversee licensing and regulation. Agents would be the key contact person for licensees to contact with questions and application problems. Agents would attend public hearings, perform inspections and do background checks. They will have 4 districts.

Administrative and Fiscal Manager – 1 – The Administrative and Fiscal Manager will be responsible for all budgetary, fiscal, administrative and legislative aspects of the adult use marijuana program.

Lead Administrative Support Assistant – 7 – The Lead Administrative Support Assistants will be assisting in the large amount of clerical work related to the implementation and ongoing licensing of all the retail marijuana stores, cultivation and production facilities, medical testing facilities, hospitality facilities, delivery and transportation certifications, and all the occupational licenses. Four will be located in the field offices (2 in St. Louis, 1 in Kansas City, 1 in Springfield) and three will be located in the Jefferson City central office.

Administrative Support Professional – 3 – The Administrative Support Professionals would be working with the administrative and licensing sections to process licenses, data entry, track statistics, and facilitate the composition of the reports required by law. They would in addition be utilized to assist in the payroll and payables of processing the increased transactions.

Auditor – 4 – The Auditors will be responsible for auditing licensed premises records to ascertain that the licensee is keeping records according to regulatory standards.

Staff Attorney (Marijuana) – 1 – This person would be responsible for sorting through the complex language of the constitutional amendment, and interpreting the statutes and assisting with the promulgation of new rules to implement the act, as well as ongoing legal counsel regarding the adult use marijuana program.

Agricultural Expert – 4 – The agricultural experts will assist with the technical aspects of the marijuana growth process, cultivation, preparation of, testing of, storage of and anything to do with the product itself.

Expense and Equipment would be necessary for staff as outlined in the expense and equipment fiscal portion to include basic office equipment, laptops and telephone

equipment. Agents will need law enforcement equipment to include weapons, ammunition, ballistic vest, vehicles, travel expenses, etc. (See Attached Marijuana Fiscal Note Spreadsheet).

ITSD Response:

Note: This response was provided in January 2021 for other proposed adult use marijuana legislation. They did not have enough time to get an updated response, but estimates similar costs.

ITSD - DPS							
Bill Number	IP 22-064						
Bill Section(s)	Article XIV, Section 2						
Application Name:	New			FY23	FY24	FY25	
IT Consultants	On-going Yes/No	Rate *1	Hours	\$	\$	\$	
Development work		95	691.03	65,648	-	-	
Project Management *2		95	55.28	5,252	-	-	
On-going support		95		-	-	-	
Section Total IT Consultants:		95	746.31	70,900	-	-	
Other Costs:		Cost Per	Number	\$	\$	\$	
Procurement of Licensing System	no	929,100	1	929,100	-	-	
Section Total Other Costs:				929,100	-	-	
Section Total Expenditures: *3				1,000,000	-	-	
General Revenue				1,000,000	-	-	
Federal				-	-	-	
Other				-	-	-	
Section Funding:				1,000,000	-	-	
2. Does this proposal duplicate any other program?							
This potentially duplicates the DHSS medical marijuana system.							
8a. Provide narrative on the IT impact this bill would have (program expansion or modifications, new application, consolidation, etc.)							
ATC does not currently have a system with the proposed functionality. A new system would be needed.							
8b. Explanation of assumptions and methodology used in arriving at the impact; Please reference and/or attach any/all supporting documentation to email.							

The cost estimate is based on the projected cost for the Department of Health and Senior Services (DHSS) medical marijuana system. DHSS was designated as the department responsible for the regulation and licensure of medical marijuana after Missouri voted to legalize it in November of 2018. DHSS is currently developing a system for the regulation and licensure of marijuana, with a current estimated total cost of approximately one million dollars and expected completion toward the end of 2020. Development of the system is approximately ninety-eight percent complete. If passage of this bill would shift responsibility of the regulation and licensing of medical marijuana from DHSS to the Department of Public Safety, Division of Alcohol and Tobacco (DPS), DPS would have the option to adopt/carry forward the system work completed, or develop a separate/new system.

Additional Notes/Assumptions:

*1 The consultant rate of \$95 per hour is an estimated rate based on current contract(s) pricing. It is assumed that any new IT project/system will be bid out, as all ITSD resources are at full capacity.

*2 Project Management hours is an estimated rate of 8% based on current/projected averages.

*3 BOBC 400

Comments:

ATC believes that for the proper administration and enforcement of the adult use marijuana initiative petition, the division would need to be authorized with powers of arrest. This could be done by adding "Article XIV, Section 2 relating to adult use marijuana" as below:

311.630. 1. The supervisor of alcohol and tobacco control and employees to be selected and designated as peace officers by the supervisor of alcohol and tobacco control are hereby declared to be peace officers of the state of Missouri, [with full power and authority to make arrests and searches and seizures only for violations of the provisions of] **whom shall be vested with the powers and duties specified in this chapter and all powers necessary to enable such peace officers to fully and effectively carry out the purposes of this chapter relating to intoxicating liquors, Article XIV section 2 relating to adult use marijuana,** and sections 407.924 to 407.934 relating to tobacco products, and to serve any process connected with the enforcement of such laws. The peace officers so designated shall have been previously appointed and qualified under the provisions of section 311.620 and shall be required to hold a valid peace officer license pursuant to chapter 590.

2. The supervisor of alcohol and tobacco control shall furnish such peace officers with credentials showing their authority and a special badge, which they shall carry on their person at all times while on duty. The names of the peace officers so designated shall be made a matter of public record in the office of the supervisor of alcohol and tobacco control.

3. All fees for the arrest and transportation of persons arrested and for the service of writs and process shall be the same as provided by law in criminal proceedings and shall be taxed as costs.

Technical errors:

Section 2.2 (8) refers to the division of health and senior services. This should read department of health and senior services.

Section 2.3 (2) (r) refers to the division of revenue. This should read the department of revenue.

Section 2.5 (3) (b) says that monies collected shall be distributed by the division. This should say that monies collected shall be distributed by the department of revenue. The division (alcohol and tobacco control) will not be collecting taxes. The department of revenue will be collecting all sales tax monies and should be responsible for distributing the funds appropriately.

Section 2.5 (3) (c) says that monies collected shall be distributed by the division. This should say that monies collected shall be distributed by the department of revenue. The division (alcohol and tobacco control) will not be collecting taxes. The department of revenue will be collecting all sales tax monies and should be responsible for distributing the funds appropriately.

Section 2.6 has two subsection (3). The second subsection (3) should be changed to (4), subsection (4) changed to (5), subsection (5) changed to (6), subsection (6) changed to (7), subsection (7) changed to (8), subsection (8) changed to (9), and subsection (9) changed to (10).

Section 2.7 has two subsection (3) and subsection (4). The second subsection (3) should be changed to (5), and the second subsection (4) should be changed to (6).

Section 2.7 (3) (the first one) states that the local government shall not adopt ordinances or policies that would impose an excessive fees or an undue burden on any one or more licensees or certificate holders. The word "fees" should be changed to "fee".

They also provided the following information:

FISCAL ESTIMATE WORKSHEET
OVERSIGHT DIVISION (573)751-4143
FAX (573)751-7681

FISCAL NOTE: IP 22-064

BILL NO: _____

[Instructions](#)

SUMMARY OF FISCAL IMPACT

Type of Fiscal Note Response: _____

Agency:	<u>Public Safety</u>	Date:	<u>9/10/2021</u>
Division:	<u>Alcohol & Tobacco Cont</u>	Telephone:	<u>573-751-5449</u>
Preparer:	<u>Kristen Cole</u>	E-Mail Address:	<u>kristen.cole@dps.mo.gov</u>
Preparer's Signature:	<u>Kristen Cole</u>	No Impact on Agency:	_____
Approval Signature:	<u>Kristen Cole</u>	No Local Fiscal Impact:	_____
Oversight Analyst:	_____		

Note: if both of the "no impact" lines are checked, you only need to complete the "Summary of Fiscal Impact" and "Overview-Questions" worksheets.

Create and complete separate worksheets for each state fund affected.

ESTIMATED NET EFFECT ON STATE FUNDS

Fund Affected	FY 2023	FY 2024	FY 2025
General Revenue	(\$6,492,870)	(\$1,156,985)	\$0
Adult Use Fund	\$0	\$644,187	\$1,224,101
Total Estimated Net Effect on All State Funds	(\$6,492,870)	(\$512,798)	\$1,224,101

ESTIMATED NET EFFECT ON FEDERAL FUNDS

Federal Funds	\$0	\$0	\$0
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS

Total Estimated Net Effect on All Local Funds	\$0	\$0	\$0
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FISCAL ESTIMATE WORKSHEET

FISCAL NOTE: IP 22-064

BILL: _____

FUND: General Revenue[Instructions](#)[Instructions](#)[Instructions](#)

FUND COSTS BY CATEGORY

<u>Expenditure by Category</u> Personnel by Position	FTEs	Annual Salary	FY 2023	FY 2024	FY 2025
District Supervisor	4	\$58,389	\$58,389	\$39,315	\$0
Agents/Special Agents	40	\$51,112	\$511,120	\$344,154	\$0
Admin/Fiscal Manager	1	\$68,000	\$17,000	\$11,447	\$0
Lead Adm. Spprt. Asst.	7	\$35,000	\$61,250	\$41,242	\$0
Auditors	4	\$47,000	\$47,000	\$31,647	\$0
Staff Attorney	1	\$80,000	\$20,000	\$13,467	\$0
Agricultural Expert	4	\$70,000	\$70,000	\$47,133	\$0
Administrative Support Profession	3	\$38,500	\$28,875	\$19,443	\$0
Marijuana Consultant **	1	\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
** Costs under Prof.		\$0	\$0	\$0	\$0
Services below		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
Note - FY'23 estimates the		\$0	\$0	\$0	\$0
cost for 3 months. FY'24		\$0	\$0	\$0	\$0
estimates the cost for 2 months.		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
Total FTE by Fiscal Year	65		65	65	65
Total Salaries			\$813,634	\$547,847	\$0
Fringe Benefits			\$468,626	\$314,248	\$0

FISCAL ESTIMATE WORKSHEET

FISCAL NOTE: IP 22-064

BILL:

FUND: General Revenue

[Instructions](#)[Instructions](#)[Instructions](#)

FUND COSTS BY CATEGORY

Expenditure by Category	BOBC	Units	Unit Cost	FY 2023	FY 2024	FY 2025
Equipment by Item						
Computer Equipment	480	64	\$1,663	\$106,432		
Motorized Equip.	560	52	\$34,000	\$1,768,000		
Office Equipment	580	64	\$10,175	\$651,200		
Other Equip.	590	52	\$12,566	\$653,432		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
TOTAL EQUIPMENT				\$3,179,064	\$0	\$0
Expenses	BOBC	Units	Unit Cost			
Travel	140	52	\$2,400	\$31,200	\$21,320	\$0
Supplies	190	64	\$5,388	\$86,208	\$58,909	\$0
Professional Development	320	64	\$800	\$12,800	\$8,747	\$0
Comm. Srv./Supply	340	64	\$3,412	\$54,592	\$37,305	\$0
Professional Services	400	44	\$3,709	\$1,040,799	\$27,879	\$0
Maintenance & Repair	430	64	\$4,167	\$66,672	\$45,559	\$0
Miscellaneous	740	64	\$150	\$2,400	\$1,640	\$0
			\$0	\$0	\$0	\$0
Professional Services			\$0	\$0	\$0	\$0
covers hiring a consultant			\$0	\$0	\$0	\$0
and ITSD costs in FY'23.						
			\$0	\$0	\$0	\$0
Leasing Costs		1	\$547,500	\$736,875	\$93,531	\$0
including Janitorial, and			\$0	\$0	\$0	\$0
Utilities. Renovation costs			\$0	\$0	\$0	\$0
for FY'23.			\$0	\$0	\$0	\$0
TOTAL EXPENSE				\$2,031,546	\$294,890	\$0
TOTAL EQUIPMENT AND EXPENSE				\$5,210,610	\$294,890	\$0
Local Assistance				\$0	\$0	\$0
Other Costs ()				\$0	\$0	\$0

FISCAL ESTIMATE WORKSHEET

FISCAL NOTE: IP 22-064

BILL: _____

FUND: General Revenue[Instructions](#)[Instructions](#)[Instructions](#)

SUMMARY OF FUND COSTS

	FY 2023	FY 2024	FY 2025
I. Fund Costs by Category			
Salaries	\$813,634	\$547,847	\$0
Fringe Benefits	\$468,626	\$314,248	\$0
Equipment and Expense	\$5,210,610	\$294,890	\$0
Local Assistance	\$0	\$0	\$0
Other Fund Costs	\$0	\$0	\$0
TOTAL FUND COSTS - ALL CATEGORIES	\$6,492,870	\$1,156,985	\$0
II. Fund Revenue Sources			
Taxes	\$0	\$0	\$0
Fines	\$0	\$0	\$0
Administrative Sanctions	\$0	\$0	\$0
Other Sources ()	\$0	\$0	\$0
TOTAL FUND REVENUE - ALL SOURCES	\$0	\$0	\$0
III. Cost Avoidance (Savings)			
Salaries	\$0	\$0	\$0
Fringe Benefits	\$0	\$0	\$0
Equipment and Expense	\$0	\$0	\$0
Other Sources ()	\$0	\$0	\$0
TOTAL FUND SAVINGS	\$0	\$0	\$0
ESTIMATED NET EFFECT ON FUND	(\$6,492,870)	(\$1,156,985)	\$0

FISCAL ESTIMATE WORKSHEET

FISCAL NOTE: IP 22-064

BILL: _____

FUND: Adult Use (ATC) Fund[Instructions](#)[Instructions](#)[Instructions](#)

FUND COSTS BY CATEGORY

<u>Expenditure by Category</u> <u>Personnel by Position</u>	FTEs	Annual Salary	FY 2023	FY 2024	FY 2025
District Supervisor	4	\$59,389	\$0	\$199,943	\$242,331
Agents/Special Agents	40	\$51,112	\$0	\$1,720,771	\$2,085,574
Admin/Fiscal Manager	1	\$68,000	\$0	\$57,233	\$69,367
Lead Adm. Spprt. Asst.	7	\$35,000	\$0	\$206,208	\$249,925
Auditors	4	\$47,000	\$0	\$158,233	\$191,779
Staff Attorney	1	\$80,000	\$0	\$67,333	\$81,608
Agricultural Expert	4	\$70,000	\$0	\$235,667	\$285,628
Administrative Support Profession	3	\$38,500	\$0	\$97,213	\$117,822
Marijuana Consultant **	1	\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
** Costs under Prof.		\$0	\$0	\$0	\$0
Services below		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
Note - FY'24 estimates the		\$0	\$0	\$0	\$0
cost for 10 months. The first 2		\$0	\$0	\$0	\$0
months will be paid from GR.		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0
Total FTE by Fiscal Year	65		65	65	65
Total Salaries			\$0	\$2,742,601	\$3,324,033
Fringe Benefits			\$0	\$1,572,378	\$1,897,961

FISCAL ESTIMATE WORKSHEET**FISCAL NOTE: IP 22-064****BILL:****FUND: Adult Use (ATC) Fund**[Instructions](#)[Instructions](#)[Instructions](#)**FUND COSTS BY CATEGORY**

Expenditure by Category	BOBC	Units	Unit Cost	FY 2023	FY 2024	FY 2025
Equipment by Item						
Computer Equipment **	480	64	\$1,663	\$0	\$21,286	\$21,286
Motorized Equip. **	560	52	\$34,000	\$0	\$707,200	\$707,200
Office Equip. **	580	64	\$10,175	\$0	\$19,536	\$19,536
Other Equip. (Other) **	590	52	\$12,566	\$0	\$32,672	\$32,672
			\$0	\$0		
**Reflects a replacement			\$0	\$0		
cost in FY'23 and each			\$0	\$0		
year after			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
			\$0	\$0		
TOTAL EQUIPMENT				\$0	\$780,694	\$780,694
Expenses	BOBC	Units	Unit Cost			
Travel	140	52	\$2,400	\$0	\$106,600	\$131,118
Supplies	190	64	\$5,388	\$0	\$294,544	\$362,289
Professional Development	320	64	\$800	\$0	\$43,733	\$53,792
Comm. Srv./Spplly	340	64	\$3,412	\$0	\$186,523	\$229,423
Professional Services	400	44	\$3,709	\$0	\$139,397	\$171,458
Mnt & Repair	430	64	\$4,167	\$0	\$227,796	\$280,189
Miscellaneous	740	64	\$150	\$0	\$8,200	\$10,086
			\$0	\$0	\$0	\$0
** See Detail in attached			\$0	\$0	\$0	\$0
spreadsheets			\$0	\$0	\$0	\$0
Leasing Costs		1	\$547,500	\$0	\$467,657	\$575,217
including Janitorial			\$0	\$0	\$0	\$0
and Utilities			\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0
TOTAL EXPENSE				\$0	\$1,474,449	\$1,813,572
TOTAL EQUIPMENT AND EXPENSE				\$0	\$2,255,143	\$2,594,266
Local Assistance				\$0	\$0	\$0
Other Costs ()				\$0	\$0	\$0

FISCAL ESTIMATE WORKSHEET**FISCAL NOTE: IP 22-064****BILL:****FUND: Adult Use (ATC) Fund**[Instructions](#)[Instructions](#)[Instructions](#)**SUMMARY OF FUND COSTS**

	FY 2023	FY 2024	FY 2025
I. Fund Costs by Category			
Salaries	\$0	\$2,742,601	\$3,324,033
Fringe Benefits	\$0	\$1,572,378	\$1,897,961
Equipment and Expense	\$0	\$2,255,143	\$2,594,266
Local Assistance	\$0	\$0	\$0
Other Fund Costs	\$0	\$0	\$0
TOTAL FUND COSTS - ALL CATEGORIES	\$0	\$6,570,122	\$7,816,260
II. Fund Revenue Sources			
Taxes	\$0	\$0	\$0
Fines	\$0	\$0	\$0
Administrative Sanctions	\$0	\$0	\$0
Other Sources (Licensing and Fees)	\$0	\$7,214,309	\$9,040,361
TOTAL FUND REVENUE - ALL SOURCES	\$0	\$7,214,309	\$9,040,361
III. Cost Avoidance (Savings)			
Salaries	\$0	\$0	\$0
Fringe Benefits	\$0	\$0	\$0
Equipment and Expense	\$0	\$0	\$0
Other Sources ()	\$0	\$0	\$0
TOTAL FUND SAVINGS	\$0	\$0	\$0
ESTIMATED NET EFFECT ON FUND	\$0	\$644,187	\$1,224,101

Division of Alcohol and Tobacco Control - IP 22-064

Sep-21

Class Title	Qty	Unit Cost	Ongoing Annual Costs
District Supervisor	4	59,389	237,556
Agents/Special Agents	40	51,112	2,044,480
Auditor	4	47,000	188,000
Admin/Fiscal Manager	1	68,000	68,000
Lead Administrative Support Assistant	7	35,000	245,000
Administrative Support Professional	3	38,500	115,500
Agricultural Expert	4	70,000	280,000
Staff Attorney	1	80,000	80,000
Marijuana Consultant Expert	1	-	-
	65		

The costs reflected in the fiscal note for FY'24 reflect the percentage cost increase that is calculated in the ongoing years. This worksheet shows as if calculated as FY'23 expenses.

Total PS **3,258,536**

	BOBC	Qty	Amount	Total	FY'23 E&E Costs	Ongoing Annual Costs	ONE TIMES
<u>Travel - In-State</u>	140				124,800	124,800	
Travel expenses (\$200 per month)		52	2,400	124,800			
<u>Supplies</u>	190				344,820	344,820	
Office Supplies		64	372	23,808			
ID Card Printer Supplies		1	29,812	29,812			
Ammunition (for two firearms)		44	1,300	57,200			
Gasoline (2,500 miles/20 mpg X \$3 per gallon)		52	4,500	234,000			
<u>Professional Development</u>	320				51,200	51,200	
Ongoing Enforcement Training & Professional Development		64	800	51,200			
<u>Communication Services and Supplies</u>	340				218,344	218,344	
Cell phone service (\$45 a month)		54	540	29,160			
PC Internet Wireless Services (\$60 a month)		64	720	46,080			
Software Licenses Annually		64	400	25,600			
AD & Exchange (\$87.96 a month)		64	1,056	67,584			

Telecommunication Relocations	64	300	19,200		
Phone Service (\$40 per month)	64	480	30,720		
<u>Professional Services</u>	400		163,200	163,200	
Marijuana Consultant Expert	1	150,000	150,000		
ID Checker Software Service (\$25 a month)	44	300	13,200		
<u>Maintenance and Repair</u>	430		266,695	266,695	
Vehicle Maintenance & Repair	52	4,080	212,160		
ID Card Printer Maintenance & Repair	5	667	3,335		
Computer Equipment Maintenance and Repair	64	800	51,200		
<u>Computer Equipment</u>	480		106,394	21,279	85,115
Notebook	64	1,525	97,600		
Monitor	64	121	7,744		
Printers	7	150	1,050		
<u>Motorized Equipment</u>	560		1,768,000	707,200	1,060,800
Automobile	52	34,000	1,768,000		
<u>Office Equipment</u>	580		651,171	19,535	631,636
ID Card Printers	5	11,069	55,345		
Filing Cabinets	64	600	38,400		
Phones - single line	64	200	12,800		
Calculator	64	20	1,280		
Copier, Scanner, Printer	4	7,500	30,000		
Side Chairs for reception, and guest chairs	102	315	32,130		
Chairs	64	600	38,400		
Focus Projectors and Screens	7	1,088	7,616		
MVE System Furniture	64	6,800	435,200		
<u>Other Equipment</u>	590		653,440	32,672	620,768
Weapon (Two per agent)	44	1,400	61,600		
Handheld Radios (\$6,000) and Car Radios (\$5,000) (Interoperable Systems)	44	11,000	484,000		
Ballistic Vest	44	1,200	52,800		
Mace/camera/other equipment	44	110	4,840		
Uniforms/ Jackets, etc.	52	500	26,000		
Duty Belt/ Duty Gear	44	550	24,200		
<u>Miscellaneous</u>	740	150	9,600	9,600	-
Total Expense and Equipment		277,425	4,357,664	1,959,345	2,398,319

NOTE: LEASING EXPENSES WOULD COME OUT OF HB 13 AND ARE NOT CALCULATED IN THIS REQUEST

FY'23 Initial Year (includes one-time costs)	PS	3,258,536	1,851,976	
	E&E	4,357,664	fringe benefits	
	Total	7,616,200		9,468,176
FY'24 and Ongoing Years (Excluding one-times)	PS	3,356,292		
	E&E	1,959,345	1,884,969	
	Total	5,315,637		7,200,606

Retail Fees - Estimated

	As of 12-01-2020		Application Fee			
	Colorado	Missouri		FY'23	FY'24	FY'25
	No. of Licenses	Projected No.		Total Revenue	Total Revenue	Total Revenue
Cannabis Retail Facility	604	637	\$ 2,500	\$ -	1,328,023	1,593,628
Cannabis Cultivation Facility	712	751	\$ 2,500	\$ -	1,565,484	1,878,581
Cannabis Manufacturing Facility	288	304	\$ 2,500	\$ -	633,229	759,875
Cannabis Hospitality Facility	-	10	\$ 1,000	\$ -	8,333	10,000
Cannabis Testing Facility	12	13	\$ 1,000	\$ -	10,554	12,665
Delivery	10	11	\$ 1,000	\$ -	8,795	10,554
Transportation	10	11	\$ 500	\$ -	4,397	5,277
	1,616	1,715				
Occupational Licenses	41,564	43,866	\$ 100	\$ -	3,655,493.15	4,386,591.78
				\$ -	7,214,309	8,657,171
Administrative Service Fees			Estimate 10%			
Transfer of Ownership		172	\$ 1,000	\$ -	-	171,550
Change of Ownership		172	\$ 800	\$ -	-	137,240
Location Change		124	\$ 500	\$ -	-	62,000
Modification of Premise		124	\$ 100	\$ -	-	12,400
Total Licensing Fee and Other Fees				\$ -	7,214,309	9,040,361
	Colorado	Missouri				
	Sales Tax Reve	Est. Revenue		FY'23	FY'24	FY'25
Colorado has a 15% Sales Tax Rate	226,211,275	119,369,709		\$ -	89,527,282	119,369,709
Missouri will impose 7.5%						
Colorado Population	5,845,530					
Missouri Population	6,169,270					
Difference	323,740					
	6%					

* Based on a 10% Turnover Rate, I calculate that every year there will be an approximate 10% of changing business situations, and turnover of employees.

The Missouri State Highway Patrol provided the following impact and concerns:

There are approximately 32,327 records in the Traffic Arrest System (TAS) pertaining to arrests completed by the Missouri State Highway Patrol that could possibly meet the requirements of this proposed constitutional amendment. These are arrest records with or without a court conviction with an NCIC modifier of 60-64 that relate to marijuana offenses. However, due to the uncertain nature of this proposal to amend Missouri's Constitution, the Patrol Records Division (PRD) has no true way to determine the actual impact associated with such a proposal. If PRD is required to simply complete a mass expungement of all 32,327 records without processing individual court orders, then this could probably be completed by the Criminal Justice Information Services Division (CJIS) programming the TAS. However, if PRD is required to process 32,327 court orders for this endeavor, then the division will require 9 FTE to process the court orders.

1 full-time employee (FTE) = 1,864 hours (average work hours per year) x 60 minutes per hour = 111,840 minutes per year.

30 minutes = estimate of the amount of time per petition to log, process, research, review, and expunge the information/record when the order is received.

1 FTE can process 3,728 expungements per year = 111,840 / 30.

$32,327 / 3,728 = 9$ FTEs

The approximate cost for 9 FTEs would be \$477,000 including fringe benefits.

The fiscal impact would also include the cost associated with replacing all but 2 of the Patrol's canines. The Patrol's canines are currently trained using cannabis/marijuana as one of four drugs they are to alert to. The purchase and initial training for a canine is approximately \$25,000. The overall cost to purchase and train the current canine program would be approximately \$175,000 (\$25,000 X 7). The time to train these canines could take up to three years. Not only will there be a financial impact to the Patrol, there will also be an impact to the services provided to other law enforcement agencies until the unit reaches full capacity.

In addition to the fiscal impact, the following are the Patrol's concerns based on what other states have reported:

In 2009, Colorado traffic fatalities involving drivers testing positive for marijuana represented 9% of the total traffic fatalities. Recreational marijuana use was legalized in 2012. By 2019, that number more than doubled to 21%.

Since recreational marijuana was legalized in 2013, Colorado traffic deaths in which drivers tested positive for marijuana increased 135% while all Colorado traffic deaths increased 24%.

Marijuana-related deaths when a driver tested positive for marijuana more than doubled from 55 deaths in 2013 to 129 deaths in 2019.

The yearly number of marijuana related hospitalizations increased 101% after the legalization of marijuana, (2009-2017).

Colorado's youth for 2020 marijuana use was 43% higher than the national average.

The average THC levels in marijuana has increased significantly over the years: 1969-0.8%, 1995-4%, 2013-13%, 2017-20+%, Oil, 1995-13%, 2013-52%, highest plant 38%, highest oil 95%+.

Medical marijuana has been legal in the state of Colorado since 2000. On November 12, 2012, the state of Colorado passed Amendment 64, which legalized private use of marijuana. Per the Colorado State Patrol's driving under the influence statistics, marijuana DUI citations increased 25.5% from 2014 to 2018 and marijuana and alcohol citations increased 112% in the same time range. As marijuana becomes legalized, its use increases.

The three years after Colorado legalized marijuana for recreational use (2013-2015), its use increased in youth ages 12-17, by 12%, in young adults aged 18-25 by 16%, and adults 26 and older by 71%. By removing the recommended acceptable ages of use, zoning regulations, packaging, and advertising of cannabis/marijuana, the risk of use and abuse of marijuana by the youth of Missouri is substantially increased. This category of Missourians, who recent studies have shown significant long-term cognitive impairment when marijuana is ingested during the developmental years, would be affected.

In Missouri, medical marijuana was legalized by Amendment 2 and took effect December 2018. As of July 9, 2020, 18 states and Washington D.C. have legalized recreational marijuana and 37 states have legalized medical marijuana. In a 2013-2014 National Highway Traffic Safety Administration (NHTSA) roadside survey, 20% of the nighttime and weekend drivers tested positive for drugs. Interestingly, the number of daytime drugged drivers was approximately the same amount as night and weekend drugged drivers. A roadside study in Colorado and Washington, the first two states to legalize marijuana for recreational use, showed the primary increase of marijuana users happened to their daytime drivers. The percent of drivers that tested positive for marijuana during the day went from 8%, before recreational marijuana sales, to 23%, 6-12 months after marijuana was legalized. There was a 48% increase in weekend nighttime drivers testing positive for THC or 11-OH-THC (an active metabolite of THC) from 2007 to 2014.

Montana legalized medical marijuana in 2004 and from 2007-2010, the presence of marijuana in DUI suspects increased over 100%. Also, the number of DUI suspects who tested positive for alcohol and marijuana increased by over 180%.

This has Department of Health and Senior Services (DHSS) being the agency that enforces it. The concern is that DHSS has no police powers which would inhibit enforcement efforts.

This initiative petition will remove cannabis/marijuana from Missouri Revised Statutes and creating conflict with both several Federal and State laws, such as the use or possession of a firearm, and could conflict and violate federal law. This initiative petition does not support the Gun Control Act (GCA), codified at 18 U.S.C. § 922.

This proposed language in Section 6(7) only applies to Missouri's courts since the central repository is not noted in the petition, therefore, there would be no CJIS impact. However, if the language was modified to include the central repository there would be a technical impact on CJIS to remove any offenses identified in the proposal including FBI records.

The petition process is not defined and the proposal does not identify the agencies that are to expunge the records. Plus, it does not identify if expunge means to destroy or close the record.

The authority to submit fingerprints to the FBI for a federal fingerprint based criminal record check is not authorized through the Initiative Petition process. Federal fingerprint based criminal record checks authorized under P.L. 92-544 can only be approved under a state statute that has gone through the full legislative process.

As the Patrol has officers assigned to federal task forces that may be involved in a federal drug operation, there are concerns over potential civil litigation resulting from these types of operations, as marijuana is still classified as a Schedule I controlled substance, and illegal under federal law.

The Patrol operates in accordance with the Drug-Free Workplace Act of 1988, which requires a drug testing program. This program tests potential employees as well as random testing for incumbent employees in enforcement, and drug sensitive areas.

Noted in Section 1.7 (1) (d), this provides good protection for employers. The Patrol believes this needs to be added to Section 2 of the initiative petition as well.

Another concern is the inability to properly train officers as laws have not yet been established. Further training is currently needed on medical marijuana laws, and more training will need to be established if this passes. Once recreational use passes, other intoxicating/impairing substances may be targeted for legalization/decriminalization as they have in many other states. One example is Oregon which has decriminalized psilocybin, cocaine, heroin, oxycodone, methamphetamine, and other drugs.

If passed, this petition will conflict with federal cannabis/marijuana laws and could cause significant conflict with several Federal and State laws, such as the use or possession of a firearm. Cannabis/marijuana causes impairment and is not a suitable drug to be used in various safety sensitive positions in the workforce, therefore strong language protecting employers is suggested. The workforce which could be affected would include any position where safety is a must, such as operating a motor vehicle, operating heavy machinery, and all aspects of public safety.

There is no language as to where the cannabis/marijuana may remain, such as any cannabis/marijuana purchased or grown in Missouri must remain in Missouri. While this is a federal offense, a lack of this type of language may allow Missouri cannabis/marijuana facilities to distribute cannabis/marijuana outside of the state or allow other states to distribute their cannabis/marijuana in Missouri. A lack of such language could lead to Missouri being a distribution state for states where cannabis/marijuana remains illegal.

For further consideration, as the legalization or decriminalization of cannabis/marijuana has increased in the past several years, so have the crashes and deaths on highways. Blood screenings on drivers in serious injury and fatal crashes have shown a staggering increase in drivers who have cannabis/marijuana within their system at the time of the crash.

Overall cost to the Patrol:

9 full-time employees = \$477,000

7 new canines for the canine program = \$175,000

Total cost = \$652,000

Officials from the **Department of Social Services** indicated this has no fiscal impact on their department.

Officials from the **Governor's office** indicated this proposal relating to cannabis should not fiscally impact their office.

Officials from the **House of Representatives** indicated no fiscal impact.

Officials from the **Department of Conservation** indicated there is no anticipated fiscal impact (cost or savings) to their department associated with this proposal.

Officials from the **Department of Transportation** indicated language with respect to the expungement of marijuana convictions within the initiative petition would prevent enforcement of 49 CFR § Parts 391 and 392. These federal regulations relate to the possession of and use of controlled substances by commercial motor vehicle drivers.

The expungement language, found in the section entitled *Public Safety*, Section 2.6(7), would keep the marijuana-related convictions of commercial motor vehicle (CMV) drivers from appearing in their criminal records. This would force Missouri agencies to forgo enforcement of Federal Motor Carrier Safety Regulations (FMCSRs) pertaining to the use of disqualified drivers.

If prior marijuana convictions are wholly expunged from criminal records, the records of CMV drivers who had been convicted of marijuana-related offences would not retain this information, yet the driver is technically not qualified to operate a CMV. Further, neither the Missouri Department of Transportation (MoDOT) Motor Carrier Services nor other motor carrier enforcement agencies could know of the convictions when making enforcement determinations.

In order to receive the Motor Carrier Safety Assistance Program (MCSAP) funding, Missouri must enforce the FMCSRs in whole. The expungement of marijuana convictions would prevent enforcement of 49 CFR § Parts 391 and 392.

Per 49 CFR § 350.215 – The penalty imposed upon states found to be in noncompliance can be as harsh as withholding all MCSAP funding; or

Withholding up to 5 percent of MCSAP funds during the fiscal year that the FMCSA notifies the State of its noncompliance;

Up to 10 percent of MCSAP funds for the first full fiscal year of noncompliance;

Up to 25 percent of MCSAP funds for the second full fiscal year of noncompliance; and

Not more than 50 percent of MCSAP funds for the third and any subsequent full fiscal year.

Missouri's share of MCSAP funds in fiscal year (FY) 2021 are \$7,060,488.

Officials from the **Office of Administration** indicated this proposal would legalize recreational marijuana for any Missouri resident over the age of 21, beginning January 1, 2023.

Article XIV, Section 2.1 specifies that this section is not intended to supplant the medical marijuana market.

Article XIV, Section 1.3(1)(h) and (15-17) are removed which would eliminate the DHSS-imposed facility license caps likely resulting in an increase in TSR from additional facilities applying for licensure. **Article XIV, Section 1.3(12)** would reduce the annual cultivation fee from \$100 per year to \$25 per year. **Article XIV, Section 1.4(2)(a)** would limit the amount of funds to be kept by the Department of Health and Senior Services (DHSS) for the administration of the medical marijuana program to 20% of net deposits into the Missouri Veterans' Health and Care Fund. The language is unclear as to what constitutes net deposits. Budget & Planning (B&P) defers to DHSS for an impact on these provisions.

Article XIV, Section 2.4(7-9) allows the Department of Public Safety (DPS) to charge an application and annual renewal fee of up to \$2,500 per application/annual renewal for cultivation, manufacturing, and retail facility licenses. Hospitality facilities are to be charged a certification and annual renewal fee of up to \$1,000. These certifications grant these facilities the permission to allow individuals to consume marijuana on business premises while also allowing the sale of food and beverages, including alcohol. Application and renewal fees shall be adjusted each year based on the rate of inflation. Additionally, for rejected applications, there may be a re-submittal fee of up to \$500 if the business decides to reapply. **Article XIV, Section 2.5(1)** specifies that if application and renewal fees are insufficient for DPS to administer the program, they must request additional funding through a cash operating transfer from the Missouri Economic Recovery and Growth Fund created in **Section 2.5(3)**. These funds are to be repaid as provided by law.

DPS is permitted to allow business applicants to apply for a reduced application or renewal fee if the business meets certain qualifying factors including being located in areas with high unemployment; areas designated as Economic Disadvantaged Zones; being owned or operated by an entity denied a medical marijuana license based on application score; or businesses owned by minorities, veterans, and marginalized groups.

Licensed medical marijuana facilities may apply for recreational licensure at their current location of business.

B&P notes that medical marijuana facilities are charged the following fees under Article XIV, however the annual fees have been increased by DHSS since inception as permitted:

- medical marijuana cultivation facility: \$5,000 application fee and \$25,000 annual fee (\$25,933.05 for FY 22)
- medical marijuana dispensary facility: \$3,000 application fee and \$10,000 annual fee (\$10,373.22 for FY 22)
- medical marijuana infused-products manufacturing facility: \$3,000 application fee and \$10,000 annual fee (\$10,373.22 for FY 22).

B&P notes that some facilities may choose to be licensed under Article XIV, Section 2, rather than under the medical marijuana provisions in Article XIV Section 1 due to the lower application and renewal fees. However, **Article XIV, Section 2.3(2)(s)** requires that facilities with medical marijuana contracts must require an adequate supply of medical marijuana, including basing the supply levels on historical sales. Supply contracts for medicinal use are to take precedence over supply contracts for recreational use. It is unclear how this may affect medical marijuana supply and sales, but this could reduce the amount of revenue to the "Missouri Veterans' Health and Care Fund", which receives monies from medical marijuana licensing and renewal fees. B&P is unable to determine the amount of fee revenues that may be lost due to this provision; however, in FY 2021 DHSS collected \$13,971,974 in licensing fees. B&P defers to DPS and DHSS for further discussion on the application and licensing fees.

DPS is required to promulgate rules and issue licenses prior to June 30, 2023. If DPS does not meet this deadline, the rules and regulations for the licensing of alcoholic beverage manufacturing and sales will apply to recreational marijuana facilities. Further, local governments are to develop and adopt ordinances and policies prior to June 30, 2023. If local governments do not meet this deadline, the rules and regulations for the licensing of alcoholic beverage manufacturing and sales will apply to recreational marijuana facilities.

Article XIV, Section 2.5(2)(a) would levy a 7.5% sales tax on retail sales of marijuana. DOR may retain up to 2% of collections for collection costs. All monies from the sales tax shall be deposited into the newly created "Missouri Economic Recovery and Growth Fund." **Subdivision (6)** would prohibit any other taxes from being levied on recreational marijuana. B&P notes that this would prohibit the Conservation sales tax (0.125%) under Article IV, Section 43(a); the Parks, Soil, and Water sales taxes (0.1% total) under Article IV, Section 47(a); and the School District Trust fund sales tax (1.0%) under Section

144.701, RSMo. **Subdivision (8)** would allow local governments to impose a sales tax in an amount up to the rate such jurisdiction imposes for alcohol or other retail sales tax, whichever is higher. B&P notes that for calendar year 2021, the average local sales tax rate is 4.03%.

Therefore, under this petition, the state tax rate for recreational marijuana will be the 7.5%. B&P notes that the total tax rate (excise and sales tax) on medical marijuana is currently 8.225%. Therefore, it is possible that some or all medical marijuana patients may opt to purchase recreational marijuana instead. This could result in reduced revenues to the Missouri Veterans' Health and Care Fund (4.0% excise tax); Conservation (0.125% sales tax); Parks, Soil, and Water (0.1% total sales tax); and education (1.0% sales tax). However, B&P notes that some of the reduced revenues from the other state funds would instead shift to the newly created "Missouri Economic Recovery and Growth Fund."

B&P notes that this petition does not grant DOR rule making authority and it does not contain any provisions regulating when retailers must submit recreational marijuana sales taxes to DOR. For the purpose of this fiscal note, B&P will assume that such retailers will remit sales tax collections to DOR based on existing statute and DOR regulations. However, it is possible that retailers could remit taxes on a different schedule. B&P defers to DOR for more information.

Article XIV, Section 2.5(3) creates the "Missouri Economic Recovery and Growth Fund". Monies in the fund shall be used for:

- One-third of collections – distributed to state and local jurisdictions for infrastructure improvement.
- One third of collections – grants to state agencies, educational institutions, and not-for-profit organizations for drug treatment and support, legal assistance for expungement, and tetrahydrocannabinol (THC) research.
- One-third of collections – grants for non-profit organizations for business loans to marginalized populations and cannabis industry training for current and former inmates.

Revenue Estimates

B&P notes that while this proposal would begin January 1, 2023 sales tax collections would not begin until at least January 1, 2024 or later due to the application and approval process timelines set forth in Section 2.4(12). Therefore, B&P will reflect sales tax collections as beginning in early calendar year 2024 (late FY 2024).

Based on research, B&P was able to find forecasts for the U.S. legal market for cannabis. According to such forecasts, the U.S. market for legal marijuana will be approximately \$32.1 billion in calendar year 2023 and grow up to \$47.3 billion by calendar year 2027. Based on information from the Substance Abuse and Mental Health Services

Administration¹, from 2018-2019 approximately 15.03% of Missouri residents and 16.98% of all U.S. residents surveyed have used marijuana within the last year. Using the populations of Missouri residents compared to the U.S. population, B&P estimates that the market for legal marijuana in Missouri is 1.66% of the total U.S. market. Therefore, B&P estimates that the Missouri market for legal marijuana would be approximately \$534.1 million in calendar year 2023 (\$32.1 billion x 1.66%) and up to \$787.1 million by calendar year 2027 (\$47.3 billion x 1.66%).

Based on further research², B&P estimates that there could be between 61,700 to 122,500 medical marijuana users in Missouri. Using these estimates, and the estimates shown above, B&P estimates that the Missouri market for medical marijuana would be between 0.14% and 0.29% of the total U.S. Market for legal marijuana. Therefore, B&P estimates that the total Missouri market for recreational marijuana would be 1.38% to 1.52% of the total U.S. market. Table 1 shows the estimated U.S. and Missouri markets for marijuana.

Table 1: Estimated Marijuana Market Size for the U.S. and Missouri

Calendar Year	Estimated U.S. Market Size	Estimated MO Market Size	Estimated MO Medical Market Size	Estimated MO Recreational Market Size
2024	\$35,900,000,000	\$597,379,769	\$85,613,340	\$511,766,429
2025	\$39,700,000,000	\$660,612,168	\$102,341,724	\$558,270,445
2026	\$43,500,000,000	\$723,844,567	\$119,070,107	\$604,774,460
2027	\$47,300,000,000	\$787,076,966	\$135,798,491	\$651,278,476

B&P notes that this petition could result in the shift of medical marijuana sales to recreational sales. For the purpose of this fiscal note, B&P will show the estimated impact as if all medical sales shift to recreational versus no medical sales shift to recreational.

Therefore, B&P estimates that this proposal may increase state revenues by \$37,761,785 to \$38,382,482 in calendar year 2024. By calendar year 2027, B&P estimates that this proposal may increase state revenues by \$47,861,347 to \$48,845,886. This proposal could also increase local revenues by \$20,624,187 in calendar year 2024 and \$26,246,523 by calendar year 2027. Table 2 shows the estimated revenues generated by calendar year.

¹ <https://www.samhsa.gov/data/report/comparison-2015-2016-and-2016-2017-nsduh-population-percentages-50-states-and-district>

² https://www.stltoday.com/news/local/metro/plenty-of-pot-study-says-missouri-will-license-twice-as/article_e94469b0-e1c6-5893-bc2e-e1d7b24f4a73.html

Table 2: Sales Tax Collections by Calendar Year

Fund	CY 2024		CY 2025	
	All Medical Shift	No Medical Shift	All Medical Shift	No Medical Shift
<u>State Funds</u>				
MO Econ Recovery and Growth Fund (7.5%)	\$44,803,483	\$38,382,482	\$49,545,913	\$41,870,283
General Revenue (3.0% tax) - Medical Sales Loss	(\$2,568,400)	\$0	(\$3,070,252)	\$0
Education (1.0% tax) - Medical Sales Loss	(\$856,133)	\$0	(\$1,023,417)	\$0
Conservation (0.125% tax) - Medical Sales Loss	(\$107,017)	\$0	(\$127,927)	\$0
Parks, soil, water (0.1% tax) - Medical Sales Loss	(\$85,613)	\$0	(\$102,342)	\$0
Veterans' Health and Care Fund (4% tax) - Medical Sales Loss	(\$3,424,534)	\$0	(\$4,093,669)	\$0
Total State Revenues	\$37,761,785	\$38,382,482	\$41,128,306	\$41,870,283
<u>Local Funds</u>				
Local Revenue (4.03% avg local tax rate)	\$20,624,187	\$20,624,187	\$22,498,299	\$22,498,299

Table 2: Sales Tax Collections by Calendar Year (cont.)

Fund	CY 2026		CY 2027	
	All Medical Shift	No Medical Shift	All Medical Shift	No Medical Shift
<u>State Funds</u>				
MO Econ Recovery and Growth Fund (7.5%)	\$54,288,343	\$45,358,085	\$59,030,772	\$48,845,886
General Revenue (3.0% tax) - Medical Sales Loss	(\$3,572,103)	\$0	(\$4,073,955)	\$0
Education (1.0% tax) - Medical Sales Loss	(\$1,190,701)	\$0	(\$1,357,985)	\$0
Conservation (0.125% tax) - Medical Sales Loss	(\$148,838)	\$0	(\$169,748)	\$0
Parks, soil, water (0.1% tax) - Medical Sales Loss	(\$119,070)	\$0	(\$135,798)	\$0
Veterans' Health and Care Fund (4% tax) - Medical Sales Loss	(\$4,762,804)	\$0	(\$5,431,940)	\$0
Total State Revenues	\$44,494,826	\$45,358,085	\$47,861,347	\$48,845,886
<u>Local Funds</u>				
Local Revenue (4.03% avg local tax rate)	\$24,372,411	\$24,372,411	\$26,246,523	\$26,246,523

However, B&P notes that if voter approved in November 2022, this proposal would not be enacted until January 1, 2023 and sales tax collections would not begin until at least January 2024 (halfway through FY 2024). Based on historical sales tax collection data, B&P adjusts calendar year collections 50% into the first fiscal year and 50% into the second fiscal year. Therefore, B&P estimates that this proposal will increase state revenues by \$18,880,893 to \$19,191,241 in FY 2024. BY FY 2028, this proposal may increase state revenues by \$47,861,347 to \$48,845,886. This proposal may also increase local revenues by \$10,312,094 in FY 2024 and up to \$26,246,523 by FY 2028. Table 3 shows the estimated revenue generated by fiscal year.

Table 3: Sales Tax Collections by Fiscal Year

Fund	FY 2024		FY 2025		FY 2026	
	All Medical Shift	No Medical Shift	All Medical Shift	No Medical Shift	All Medical Shift	No Medical Shift
MO Econ Recovery and Growth Fund	\$22,401,741	\$19,191,241	\$47,174,698	\$40,126,383	\$51,917,128	\$43,614,184
General Revenue	(\$1,284,200)	\$0	(\$2,819,326)	\$0	(\$3,321,177)	\$0
Education	(\$428,067)	\$0	(\$939,775)	\$0	(\$1,107,059)	\$0
Conservation	(\$53,508)	\$0	(\$117,472)	\$0	(\$138,382)	\$0
Parks, soil, water	(\$42,807)	\$0	(\$93,978)	\$0	(\$110,706)	\$0
Veterans' Health and Care Fund	(\$1,712,267)	\$0	(\$3,759,101)	\$0	(\$4,428,237)	\$0
Total State Revenues	\$18,880,893	\$19,191,241	\$39,445,046	\$40,126,383	\$42,811,566	\$43,614,184
Local Revenue	\$10,312,094	\$10,312,094	\$21,561,243	\$21,561,243	\$23,435,355	\$23,435,355

Table 3: Sales Tax Collections by Fiscal Year (cont.)

Fund	FY 2027		FY 2028	
	All Medical Shift	No Medical Shift	All Medical Shift	No Medical Shift
MO Econ Recovery and Growth Fund	\$56,659,558	\$47,101,985	\$59,030,772	\$48,845,886
General Revenue	(\$3,823,029)	\$0	(\$4,073,955)	\$0
Education	(\$1,274,343)	\$0	(\$1,357,985)	\$0
Conservation	(\$159,293)	\$0	(\$169,748)	\$0
Parks, soil, water	(\$127,434)	\$0	(\$135,798)	\$0
Veterans' Health and Care Fund	(\$5,097,372)	\$0	(\$5,431,940)	\$0
Total State Revenues	\$46,178,086	\$47,101,985	\$47,861,347	\$48,845,886
Local Revenue	\$25,309,467	\$25,309,467	\$26,246,523	\$26,246,523

Article XIV Section 1.3(2)(h) requires that all medical marijuana employees, owners, officers, and other individuals affiliated with the business to undergo a fingerprint-based criminal background check. The removal of the license caps on medical marijuana facilities may increase the number of individuals needing these checks. Further, **Article XIV Section 2.4(10)** requires that all recreational marijuana employees, owners, officers, and other individuals affiliated with the business undergo a fingerprint-based criminal background check. The Missouri State Highway Patrol (MSHP) Criminal Justice Information Services (CJIS) Division processes all state and federal fingerprint background checks. The CJIS has the following fee structure for background checks:

State fee:	\$20.00
Vendor Fee:	\$8.50
FBI fee:	<u>\$13.25</u>
Total fees:	\$41.75

The state retains the \$20 state fee and \$2 of the FBI fee (\$22 total retained by the state). All fees collected will be deposited in the MSHP Criminal Records System Fund. MSHP verified that over 90% of background checks are conducted using third party vendor, IDEMIA, who charges the applicant an \$8.50 fee which is kept by IDEMIA. The applicant pays the full fee of \$41.75 to the vendor and MSHP then collects the full state and FBI fees (\$33.25) from the vendor each month. The FBI bills MSHP monthly, and MSHP pays the FBI their portion of the FBI fee out of the MSHP Criminal Records System Fund. B&P defers to MSHP for further discussion on this impact.

If a new crime is created or removed or there is an increase or decrease in class of crime, any portion of any associated penalty fees/fines that go to the state may impact TSR. **Article XIV, Section 2.6(4)** allows adults over age 21 to possess at any one time the following amounts of marijuana:

- up to eight ounces of dried unprocessed flower;
- up to 28 grams of concentrated resin or extract; and
- up to 4,000 milligrams of THC in cannabis-infused products.

Pursuant to Section 579.015, RSMo, a first time offense of possession of ten grams or less of marijuana is a Class D misdemeanor subject to a fine up to \$500. Any subsequent offenses, as well as any offenses of possession of marijuana of more than ten grams but 35 grams or less, are Class A misdemeanors subject to a fine of up to \$2,000 and up to one year in jail. It is unknown how many violations and associated fines would be reduced by passage of this amendment. Therefore, this proposal could decrease total state revenue by an unknown amount beginning January 1, 2023.

Article XIV, Section 2.7(3) permits local governments to require recreational marijuana businesses to obtain business licensure under local ordinances but prohibits any additional fee or special license specific to these types of businesses. **Article XIV, Section 2.7(4)** allows local governments to establish civil penalties for violation of an ordinance or regulation governing medical marijuana facilities so long as these penalties are not greater than those imposed on alcoholic beverage manufacturers or sellers. B&P notes that it would appear that subdivision 4 should reference recreational marijuana businesses rather than medical marijuana. These provisions may impact local revenues by an unknown amount.

Officials from the **Office of State Courts Administrator** indicated the initiative petition proposing to Amend Article XIV establishes and modifies provisions relating to the legalization of marijuana for adult use.

The average of all marijuana related charge codes from 2015 to 2019 for Circuit case types is 2,457 per year. The average of all marijuana related charge codes from 2015 to 2019 for Associate case types is 8,153. They are unable to determine what number of these charges were for someone over the age of twenty-one.

The following Criminal Court Costs would be affected by this proposed legislation:

	Criminal Court Costs		
Felony Case Costs	Amount of Cost		Disburse to State/County
Basic Civil Legal Services Fund surcharge	\$10.00		State of Missouri - Basic Civil Legal Services Fund
Clerk Fee	\$45.00		State of Missouri - General Revenue \$36, County \$9
County Fee	\$75.00		County
Court Automation Fund Fee	\$7.00		State of Missouri -Statewide Court Automation Fund
Court Reporter fee (All Circuit Division Cases)	\$15.00		State of Missouri - General Revenue
Crime Victims' Compensation Fund surcharge	\$7.50		State of Missouri - Crime Victims' Compensation Fund
DNA Profiling Analysis Fund surcharge	\$30.00		State of Missouri - DNA Profiling Analysis Fund
Brain Injury Fund surcharge	\$2.00		State of Missouri - Head Injury Fund
Independent Living Center Fund surcharge	\$1.00		State of Missouri - Independent Living Center Fund
Motorcycle Safety Trust Fund surcharge	\$1.00		State of Missouri - Motorcycle Safety Trust Fund
Peace Officer Standards & Training (POST) Commission surcharge	\$1.00		State of Missouri - Peace Officer Standards & Training Fund
Prosecuting Attorney and Circuit Attorneys' Retirement Fund	\$4.00		Pros. Attorney Retirement Fund
Prosecuting Attorney Training Fund surcharge	\$5.00		State of Missouri - Prosecuting Attorney Training Fund
Sheriffs' Fee	\$75.00		County
Sheriffs' Retirement Fund surcharge (except 21st Circuit)	\$3.00		Sheriffs' Retirement Fund
Spinal Cord Injury Fund surcharge	<u>\$2.00</u>		State of Missouri - Spinal Cord Injury Fund
Total	\$283.50		
Misdemeanor Case Costs			

Basic Civil Legal Services Fund surcharge	\$8.00		State of Missouri - Basic Civil Legal Services Fund
Clerk Fee	\$15.00		\$12 State of Missouri / \$3 County
County Fee	\$25.00		County
Court Automation Fund Fee	\$7.00		State of Missouri - Court Automation Fund
Crime Victims' Compensation Fund surcharge	\$7.50		State of Missouri - Crime Victims' Compensation Fund
DNA Profiling Analysis Fund surcharge	\$15.00		State of Missouri - DNA Profiling Analysis Fund
Brain Injury Fund surcharge	\$2.00		State of Missouri - Brain Injury Fund
Independent Living Center Fund surcharge	\$1.00		State of Missouri - Independent Living Center Fund
Motorcycle Safety Trust Fund surcharge	\$1.00		State of Missouri - Motorcycle Safety Trust Fund
Peace Officer Standards and Training (POST) Commission surcharge	\$1.00		State of Missouri - Peace Officer Standards & Training Fund
Prosecuting Attorney and Circuit Attorneys' Retirement Fund	\$4.00		Pros. Attorney Retirement Fund
Prosecuting Attorney Training Fund surcharge	\$5.00		\$0.50 State of Missouri / \$0.50 County
Sheriffs' fee	\$10.00		County
Sheriffs' Retirement Fund surcharge (except 21st Circuit)	\$3.00		Sheriffs' Retirement fund
Spinal Cord Injury Fund Surcharge	\$2.00		State of Missouri - Spinal Cord Injury Fund
Total	\$106.50		
Municipal Case (Filed in Associate Division) Costs			
Clerk Fee	\$15.00		\$12 State of Missouri / \$3 County
Court Automation Fund Fee	\$7.00		State of Missouri - Court Automation Fund
Crime Victims' Compensation Fund surcharge	\$7.50		State of Missouri - Crime Victims' Compensation Fund
Peace Officer Standards and Training (POST) Commission surcharge	\$1.00		State of Missouri - Peace Officer Standards & Training Fund

Sheriffs' Retirement Fund surcharge	\$3.00		Sheriffs' Retirement Fund
Total	\$33.50		
Criminal Costs Not Included Above			
Drug Testing by a State Lab	\$150.00		State of Missouri
Drug Testing by a Private Lab	Actual Costs		County Reimbursement
Law Enforcement Arrest Costs:			
Highway Patrol			Amt. Approved by the Court
Local (County)			Amt. Approved by the Court
Municipal			Amt. Approved by the Court

The decrease in the court fees, depending on the number of cases, will result in an unknown loss to the courts and to the specific funds.

They also assume there will be an unknown decrease in caseload for the courts because the courts will no longer process these cases; however, at this time they are unable to calculate the decrease.

Any significant increase or decrease will be reflected in future budget requests.

Officials from the **Missouri Senate** indicated they anticipate no fiscal impact.

Officials from the **Secretary of State's office** indicated each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Referendums are submitted to the people at the next general election. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people. If a special election is called to submit a Referendum to a vote of the people, Section 115.063.2 RSMo. requires the state to pay the costs. The cost of the special election has been estimated to be \$7 million based on the cost of the 2020 Presidential Preference Primary.

Their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions

certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. Their office estimates \$75,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

Their office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, they reserve the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Officials from the **Office of the State Public Defender** indicated this initiative petition will reduce the number of illegal possession of a controlled substance cases in which State Public Defender provides legal representation. The exact fiscal impact of that reduction is unknown. This initiative petition may provide funding for State Public Defender under Section 5 (3)(b) (iii) as a legal organization that provides free representation on drug related charges. Again, the exact fiscal impact of that reduction is unknown.

Officials from the **State Treasurer's office** indicated there is a tax and a variety of fees imposed in this petition. Once in operation, marijuana businesses have had difficulties obtaining and maintaining bank accounts due Federal law and regulations. Their office and the Department of Revenue have explored options to handle large amounts of cash from licensed marijuana businesses as the Department of Revenue may see many of these taxes paid in cash. Changes in security measures and collection points may be needed as the Department of Revenue, the Department of Health and Senior Services, and the Department of Labor and Industrial Relations do not currently receive large amounts of cash. The changes in this initiative petition may increase the potential amount of receipts in cash. They are unable to determine the fiscal impact to their office.

Officials from **Clay County** indicated they estimate the following as a result of this petition:

Costs:

- ~\$30,000 in Sheriff Road Patrol OT for DWIs
- ~\$5,000 in extra Sheriff fuel use to patrol
- ~\$35,000 annually in costs

Savings/Revenues:

- ~\$25,000 in the 1/3rd of the 7.5% tax to be dedicated to infrastructure
- ~\$150,000 in sales taxes
- ~\$25,000 in property taxes
- ~\$1,000 in liquor-equivalent licenses

- ~\$5,000 in planning & zoning permits
- ~206,000 annually in savings/new revenues

Net annual savings of ~\$171,000.

Officials from **Greene County** indicated there is anticipated costs to their county for this initiative petition per the following information concerning this initiative petition, <https://static1.squarespace.com/static/5541a76ae4b0175cee8827d0/t/580684e5ff7c50adea98399e/1476822252561/Letter+to+CA+from+Denver+DA.jpg> provided by their County Prosecutor, Dan Patterson. There may also be sales tax attained for their county based on the authority given for taxation and funding to impose a retail sales tax. Since it is a may, there is no certainty to ascertain if any tax dollars attained will be collected, and if they are collected any data to suggest an amount of actual sales that will take place to base the estimation on.

To help better fully understand the fiscal impact would require a very detailed study to give the best opportunity to understand the impact to law enforcement, prosecutors and the circuit courts within the proposed changes of this initiative petition, which the linked letter demonstrates occurred in Colorado after similar legislation passed. In addition, it would also require a very reliable method of measurement to predict a dependable sales estimate of this product and the impact the sales would have on additional local sales tax receipts for a local entity. Unfortunately neither of these are currently feasible due to the short timeline given to respond.

County Prosecutor, Dan Patterson provided the following information:



DenverDA

Mitchell R. Morrissey, District Attorney - Second Judicial District
201 W. Colfax Avenue, Dept. 801, Denver, CO 80202

Bus. Phone: 720-913-9001
Fax: 720-913-9031

October 12, 2016

No on 64 Campaign and SAM Action

California voters are being told that they will see the crime rate go down if they vote to legalize marijuana commercially; this has not been the case in the state of Colorado or the city of Denver. Since the legalization of recreational marijuana in Colorado in 2013 traffic related marijuana deaths have increased 48%, marijuana related emergency room visits have increased 49%, and marijuana related calls to the poison center have increased 100%. According to the Colorado Bureau of Investigations in 2015 statewide homicides in Colorado rose 14.7 % over the previous year. Pueblo, Colorado had the highest homicide rate in the state with 11.1 killings per 100,000 residents. Aurora, Colorado's homicide rate more than doubled from 2014. Additionally more places in Colorado were robbed and more thefts occurred, especially cars, as 193,115 motor vehicles were reported stolen, up 27.7 % in 2015 from the previous year. In 2015, sexual assaults rose 10% in Colorado with Denver, Aurora, Lakewood, Westminster and Pueblo all reporting higher numbers as well.

In the city of Denver since the legalization of recreational marijuana the number of crimes in Denver has grown by about 44 %, according to annual figures the city reported to the National Incident Based Reporting System. In 2015 in Denver alone crime rose in every neighborhood in the city. The murder rate hit a decade high, 1059 more cars were broken into, there were 903 more auto thefts, 321 more aggravated assaults and 231 more homes were broken into compared to 2014.

California voters are also being told that legalizing recreational marijuana will free up law enforcement to work on other criminal activities. Again that has not been the case in Denver. Besides the overall increases in crime we have experience, the Denver police department is dealing with a 900% increase in the unlawful cultivation and manufacture of marijuana concentrate, and a 99% increase in the unlawful distribution of marijuana and marijuana concentrate. The quantity of illegal marijuana seized by the Denver police has increased 3,424% on average per case. The volume of marijuana seized per case has increased from an average of 162 pounds to 5724 pounds. In Denver unlawful public consumption of marijuana citations has increased over 300% per year since the legalization of recreational marijuana. The Denver police department is busier enforcing marijuana laws and investigating crimes directly related to marijuana, including murderers, robberies, and home invasions, than any other time in the history of the city.

Sincerely,

A handwritten signature in black ink, appearing to read "Mitchell R. Morrissey". The signature is stylized with a large, sweeping flourish at the end.

Mitchell R. Morrissey
Denver District Attorney

Officials from the **City of Kansas City** indicated this amendment may have a positive fiscal impact on their city, by an increase in tax revenue.

Officials from **Metropolitan Community College** indicated there are too many unknowns to determine the fiscal impact for their college. There is potential for increased operational expenses due to policies and procedures that may need to be addressed and changed. Also a potential need for increased drug testing. However, future opportunities on the educational side may arise.

Officials from the **Missouri Veterans Commission** indicated the following:



MISSOURI VETERANS COMMISSION

205 Jefferson Street, P.O. Drawer 147, Jefferson City, MO 65102-0147
Telephone: (573) 751-3779 www.mvc.dps.mo.gov Fax: (573) 751-6836

September 7, 2021

The Honorable John R. Ashcroft
Secretary of State
600 W. Main Street
Jefferson City, MO 65101

Dear Secretary of State Ashcroft,

Initiative Petition 2022-064 (hereinafter, the Petition) will have a disastrous fiscal impact upon the Missouri Veterans Commission. Under the existing medical marijuana program (Article XIV of the Missouri Constitution), we anticipate receiving \$6.8 million dollars in fiscal years 2022 through 2026 from the tax revenues generated from the retail sales of medical marijuana. The Petition makes some changes to that program which would adversely impact the Commission, but its most severe impact to the Commission is in the creation of a non-medical marijuana program (the proposed Article XIV, section 2 to the Missouri Constitution).

The medical marijuana program is predicated on medical need and the physician certification that marijuana is the appropriate treatment for that medical need. Conversely, the non-medical marijuana program has no requirement for medical need or for physician certification. Notwithstanding the assertion in the Petition that the non-medical marijuana program is not intended to supplant the medical marijuana program, we anticipate that is precisely what will occur should the Petition become law. It is only common sense that those wishing to use marijuana products will forego the inconvenience of establishing medical need and obtaining a physician's certification and avail themselves of the non-medical program should one exist regardless of their reason for wanting to use marijuana products. Therefore, we anticipate a significant reduction in the tax revenues generated by the medical marijuana program, perhaps as high as a 90% reduction, should the Petition become law.

Moreover, given the significantly different distribution of tax revenues provided for under the non-medical marijuana program, we cannot anticipate tax revenues generated under the non-medical program to defray the reduction we would experience under the medical marijuana program. Specifically, the medical marijuana program establishes a 4% tax on all retail sales of medical marijuana and allocates to the Commission all of those proceeds minus 5% to the Department of Revenue and an amount to the Department of Health and Senior Services necessary to defray their costs in regulating the program. The Petition changes this arrangement to cap the amount which may be retained by the Department of Health and Senior Services at twenty percent. Further, the Petition proposes a significant change to paragraph 3(12) to dramatically expand the rights of patients to cultivate their own marijuana which is not subject to

taxation. Therefore, should the Petition become law, we anticipate a significant decrease in tax revenues allocated to the Commission through the Veterans Health and Care Fund.

Conversely, the non-medical marijuana program establishes a 7 ½ % tax on all retail sales of non-medical marijuana and allocates those proceeds to the “Missouri Economic Recovery and Growth Fund” minus 2% for the Department of Revenue. The monies in the “Missouri Economic Recovery and Growth Fund” are available to private and state agencies, but for purposes in which the Commission does not engage. Therefore, the Commission would not receive any tax revenues under the non-medical marijuana program and would see a disastrous reduction in the revenues it receives under the medical marijuana program.

In closing, Initiative Petition 2022-064 will adversely impact the ability of the Missouri Veterans Commission to serve the veterans of Missouri for the reasons set forth above. If I can be of any further assistance on this issue, please contact me at (573) 522-4224 at your convenience.

Sincerely,



Scotty L. Allen
General Counsel
Missouri Veterans Commission

The State Auditor's office did not receive a response from **Adair County, Boone County, Callaway County, Cass County, Cole County, Jackson County, Jasper County, St. Charles County, St. Louis County, Taney County, the City of Cape Girardeau, the City of Columbia, the City of Jefferson, the City of Joplin, the City of Kirksville, the City of Mexico, the City of Raymore, the City of St. Joseph, the City of St. Louis, the City of Springfield, the City of Union, the City of Wentzville, the City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, Malta Bend R-V School District, Mehlville School District, Wellsville-Middletown R-1 School District, State Technical College of Missouri, University of Missouri, St. Louis Community College, University of Central Missouri, Harris-Stowe State University, Lincoln University, Missouri State University, Missouri Southern State University, Missouri Western State University, Northwest Missouri State University, Southeast Missouri State University, Truman State University, Missouri Office of Prosecution Services, the Kansas City Board of Police Commissioners, and the Metropolitan Police Department - City of St. Louis.**

Fiscal Note Summary

State governmental entities estimate initial costs of \$4 million, annual costs of \$7 million, and annual revenues ranging from \$26 million to \$125 million by 2025. Local governments are estimated to have annual costs of at least \$35,000 and annual revenues ranging from \$13 million to \$21 million by 2025.